

**WRC Holdings Limited
Financial Statements
for the year ended 30 June 2017**

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**WRC Holdings Limited
Directory
30 June 2017**

Directory

Directors

S H Sharif (Chair)
P M Lamason (Deputy Chair)
P Blades
B H Donaldson
R W G Blakeley
I D McKinnon
N Wilson
C R Laidlaw

Appointed

12 August 2015
18 November 2010
01 May 2005
21 November 2013
29 November 2016
29 November 2016
06 April 2016
06 April 2016

Resigned

15 December 2016

29 November 2016
29 November 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 2017.

Principal Activities

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

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

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

The Group's primary objectives

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

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

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

Achieve the objectives and performance targets of the shareholder

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

The financial objectives of the Group shall be to:

Provide a commercial return to shareholders.

Manage its assets prudently.

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

Conduct its affairs in accordance with sound business practice.

The environmental objectives of the Group shall be to:

Operate in an environmentally responsible and sustainable manner.

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

Engage with stakeholders on environmental matters.

Ensure regulatory compliance

Develop a culture of awareness and responsibility

The social objectives of the Group shall be to:

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

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

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

The WRC Holdings Group largely met all its objectives as set out in the 2016/17 SOI and Wellington Regional Council's 10 year plan 2015-2025 with exception of some of its financial performance targets and a number of CentrePorts performance targets, mostly attributable to the November 2016 earthquakes.

Contribute to the desired outcome of the Wellington Regional Strategy.

The nature and scope of activities undertaken by the group are consistent with those set in the 2016/17 Statement of Intent and Wellington Regional Council's LTP.

WRC Holdings Limited
Directors' Report
30 June 2017
(continued)

Statement of Service Performance

FINANCIAL PERFORMANCE TARGETS

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

	Actual 2017 \$'000	Target 2017 \$'000	Restated Actual 2016 \$'000
Net (deficit) / surplus before tax	48,628	(393)	(11,331)
Net (deficit) / surplus after tax	36,166	1,498	(23,657)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	82,941	34,587	20,641
Return on total assets	8.00%	1.00%	(0.40)%
Return on Shareholder's equity	8.10%	0.30%	(6.39)%
Shareholders equity to total assets	61.09%	60.80%	56.83%
Dividends	-	3,552	3,578
WRC Holdings - Parent			
Dividend distribution	-	3,552	3,578
Dividend distribution %	-	100%	70%
Return on equity (1)	(0.04)%	1.60%	3.55%
Return on assets (2)	(0.03)%	1.90%	3.41%

(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

* Restated actuals. CentrePort has restated its 2016 year financial statements. Refer to note 25

The above 2017 financial results are calculated on the same basis as previous year.

Net (deficit) / surplus before tax

The Group posted net surplus before tax of \$48.6 million (2016: deficit of \$11.331 million) compared to a budget deficit before tax of \$0.393 million for the year.

The variance to budget is primarily due to the effects of the November earthquakes that significantly impacted CentrePort. This has seen insurance revenues exceed expenditures after initial earthquake costs have been incurred.

The result includes asset impairments, but excludes revaluation losses on infrastructure assets of \$54 million mostly related to the impact of resilience to CentrePort land.

Net (deficit) / surplus after tax

The net surplus after tax was \$36.16 million (2016: deficit of \$23.6 million), compared to a budget surplus after tax of \$1.49 million. The variance is impacted, as in the net deficit before tax as above.

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

EBITDA was \$84.0 million (2016: \$20.2 million) compared to a budget of \$34.6 million.

The variance is impacted by the net surplus before tax as noted above.

Return on total assets

This target is calculated as earnings before interest and tax (EBIT) and expressed as a percentage of average total assets. As at 30 June 2017, return on total assets was 8.00% (2016: 0.40%).

The variance to target is predominately due to a higher EBIT, and to a lesser extent lower asset values than budgeted to due to impairments and revaluation on infrastructure assets as noted in the surplus before tax above.

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 2017, the return on shareholders' equity was 8.10% (2016: (6.39%)), compared to a budget of 0.3%.

The variance to target is predominately due to higher net surplus after tax as noted above and slightly lower equity compared to budget in CentrePort.

Shareholder's equity to total assets

As at 30 June 2017 the ratio of shareholders equity to total assets stood at 61.09% (2016: 56.83%) and compared to a budget of 60.8%.

The result is slightly higher than budget as total assets in CentrePort have decreased more than equity, with assets being impaired and insurance receipts being recognised as income but used to reduce liabilities.

Dividends paid (or payable to the shareholders)

No dividend paid to the shareholders during the year (2016: \$3.6 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 partially achieved its environmental targets as set down in its Statement of Intent 2016/17, as reported in the Financial Statements of Port Investments Limited for the year ended 30 June 2017. Some of the objectives are still in progress or is being deferred.

SOCIAL PERFORMANCE TARGETS

Planned Target - WRC Holdings Group

To provide a safe and healthy workplace

To help sustain the economy of the region

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

Actual Performance

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

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

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

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

CentrePort has achieved its social performance targets as set down in its statement of intent 2016/17 as reported in the financial statements of Port Investments Limited for the year ended 30 June 2017.

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 seven 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 2016/17 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:

S H Sharif (Chair)
 P M Lamason (Deputy Chair)
 P Blades (resigned)
 B H Donaldson
 R W G Blakeley
 I D McKinnon
 C R Laidlaw (resigned)
 N Wilson (resigned)

Remuneration of Directors of the Parent Company

Details of Directors' remuneration are as follows:

	2017 \$'000	2016 \$'000
S H Sharif (Chair)	8	4
P M Lamason (Deputy Chair)	3	1
P Blades (resigned)	2	5
B H Donaldson	-	-
I D McKinnon	-	-
R W G Blakeley	-	-
N Wilson (resigned)	-	-
C R Laidlaw (resigned)	-	-
	13	10

Relevant entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2017:

S H Sharif (Chair)

Motor Trades Association Group (Director)

Flirtey Limited (Director)

Coastal Oil Logistics Ltd (Independent advisor)

NZ Institute of Safety Management (Chair)

NZ Standards Approval Board (Member)

Port Investments Limited (Chair)

WRC Holdings Limited (Chair)

Greater Wellington Rail Limited (Chair)

P M Lamason (Deputy Chair)

Wellington Regional Council (Councillor)

Hutt Mana Charitable Trust (Deputy Chair and Trustee)

She Trust (Trustee)

Britannia House (Trustee)

WRC Holdings Limited (Deputy Chair)

Port Investments Limited (Deputy Chair)

Greater Wellington Rail Limited (Deputy Chair)

B H Donaldson

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

R W G Blakeley

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

I D McKinnon

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

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.

WRC Holdings Limited
Directors' Report
30 June 2017
 (continued)

Remuneration of Employees

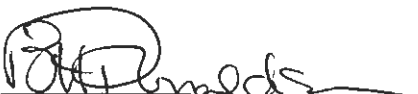
The Parent Company and all its 100% owned subsidiaries have no employees. The 76.9% owned subsidiary, CentrePort Limited and its group of subsidiaries who received remuneration and other benefits in excess of \$100,000 are tabulated below:

	Number of current employees
\$100,001 - \$110,000	11
\$110,001 - \$120,000	20
\$120,001 - \$130,000	6
\$130,001 - \$140,000	3
\$140,001 - \$150,000	5
\$150,001 - \$160,000	3
\$160,001 - \$170,000	2
\$170,001 - \$180,000	2
\$180,001 - \$190,000	1
\$190,001 - \$200,000*	1
\$200,001 - \$210,000	4
\$210,001 - \$220,000	2
\$220,001 - \$230,000	1
\$260,001 - \$270,000	1
\$320,001 - \$330,000*	1
\$340,001 - \$350,000*	1
\$400,001 - \$410,000*	1
\$430,001 - \$440,000*	1
	66


* These amounts include variable performance related remuneration benefits

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

For, and on behalf of, the Board of Directors


 Director

October 25, 2017


 Director

October 25, 2017

WRC Holdings Limited
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2017

	Notes	Group		Parent	
		2017 \$'000	Restated* 2016 \$'000	2017 \$'000	2016 \$'000
REVENUE					
Operating revenue		80,715	94,647	1,146	6,645
Share of associate profit accounted for using the equity method	12	(18,614)	7,022	-	-
Total revenue	3	62,101	101,669	1,146	6,645
Earthquake related costs:					
Insurance deductible expenses	4	(19,305)	-	-	-
Impairment of assets	4	(63,968)	-	-	-
Insurance progress payment receivable	4	166,041	-	-	-
Gain / (loss) in fair value movements:					
Loss on disposal / revaluation of infrastructure		(97)	(222)	-	-
Fair value gain on financial instruments - CentrePort		10,330	(7,613)	-	26
Fair value of investment properties - CentrePort		-	2,801	-	-
Impairment		-	233	-	-
EXPENDITURE					
Expenses, excluding finance costs	3	(95,761)	(99,780)	(138)	(152)
Finance costs	3	(10,713)	(8,419)	(1,083)	(1,410)
(Deficit) / surplus before taxation and subvention payment		48,628	(11,331)	(75)	5,109
Income tax benefit / (expense)	5	(12,462)	(12,326)	-	-
Profit from continuing operations		36,166	(23,657)	(75)	5,109
Net (deficit) / surplus after tax for the year		36,166	(23,657)	(75)	5,109
Other comprehensive revenue and expenditure					
Revaluation gain/(loss) on infrastructure assets after tax		(54,113)	(20)	-	-
Deferred tax recognised in reserves		50	-	-	-
Other comprehensive revenue and expenditure for the year, net of tax		(54,063)	(20)	-	-
Total comprehensive revenue and expenditure for the year		(17,897)	(23,677)	(75)	5,109
Total comprehensive revenue and expenditure for the year is attributable to:					
Owner of WRC Holdings Limited		(17,372)	(26,358)		
Non-controlling interest		(525)	2,681		
		(17,897)	(23,677)		

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Changes in Equity
For the year ended 30 June 2017

Statement of changes in equity

For the the year ended 30 June 2017

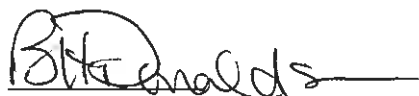
Group	Notes	Attributable to equity holders of the Company			Non-contr olling interest \$'000	Total \$'000
		Contribut ed Equity \$'000	Revaluatio n Reserves \$'000	Retained earnings \$'000		
Balance as at 1 July 2015		120,285	53,189	202,457	46,617	422,548
Correction of Error	25	-	-	(4,219)	(1,267)	(5,486)
Restated balance		<u>120,285</u>	<u>53,189</u>	<u>198,238</u>	<u>45,350</u>	<u>417,062</u>
Total comprehensive income for the year		-	-	(26,338)	2,681	(23,657)
Contributed Equity		110,930	-	-	-	110,930
Dividends		-	-	(3,577)	(1,572)	(5,149)
Increase / (Decrease) in revaluation Reserve		-	(20)	-	-	(20)
Balance as at 30 June 2016		<u>231,215</u>	<u>53,169</u>	<u>168,323</u>	<u>46,459</u>	<u>499,166</u>
Group	Notes	Attributable to equity holders of the Company			Non-contr olling interest \$'000	Total \$'000
		Share Capital \$'000	Revaluation Reserves \$'000	Retained earnings \$'000		
Balance as at 1 July 2016		231,215	53,169	168,323	46,459	499,166
Total Comprehensive Income for the Year		-	-	24,220	11,946	36,166
Contributed Equity		17,780	-	-	-	17,780
Increase / (Decrease) in Revaluation reserve		-	(41,591)	-	(12,472)	(54,063)
Transfer		-	(54)	54	-	-
Dividends		-	-	-	(162)	(162)
Balance as at 30 June 2017		<u>248,995</u>	<u>11,524</u>	<u>192,597</u>	<u>45,771</u>	<u>498,887</u>

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Financial Position
As at 30 June 2017

	Notes	Group		Parent	
		2017 \$'000	Restated* 2016 \$'000	2017 \$'000	2016 \$'000
ASSETS					
Current assets					
Cash and cash equivalents		221	993	4	4
Trade and other receivables	6	7,115	15,671	76	3,764
Inventories	7	1,423	13,403	-	-
Current tax receivables		601	621	-	-
Insurance Receivable		62,685	-	-	-
Current accounts - Greater Wellington Regional Council		6,271	9,781	3,314	3,250
Total current assets		78,316	40,469	3,394	7,018
Non-current assets					
Property, plant and equipment	8	536,926	602,630	-	-
Intangible assets	9	3,287	3,047	-	-
Investments in subsidiaries	10	-	-	258,453	240,673
Investments in joint venture	12	59,397	79,211	-	-
Investment properties	11	16,772	47,932	-	-
Deferred tax assets	13	2,947	11,743	-	-
Total non-current assets		619,329	744,563	258,453	240,673
Total assets		697,645	785,032	261,847	247,691
LIABILITIES					
Current liabilities					
Trade and other payables		9,325	10,822	83	83
Interest bearing liabilities	14	146	876	-	-
Provisions for employee entitlements	15	3,153	3,140	-	-
Current account - Greater Wellington Regional Council		-	8,427	-	-
Derivatives	20	-	36	-	-
Dividend payable		-	3,578	-	3,578
Total current liabilities		12,624	26,879	83	3,661
Non-current liabilities					
Interest bearing liabilities	14	80,080	146,050	44,080	44,050
Provision for employee entitlements		752	906	-	-
Derivatives	20	8,778	19,073	-	-
Deferred tax liabilities	13	96,524	92,958	-	-
Total non-current liabilities		186,134	258,987	44,080	44,050
Total liabilities		198,758	285,866	44,163	47,711
Net assets		498,887	499,166	217,684	199,980
EQUITY					
Contributed equity	17	248,995	231,215	248,995	231,215
Reserves		11,524	53,169	-	-
Retained earnings		192,597	168,323	(31,311)	(31,235)
Non-controlling interest	18	45,771	46,459	-	-
Total equity		498,887	499,166	217,684	199,980

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



Director
October 25, 2017



Director
October 25, 2017

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Cash Flows
For the year ended 30 June 2017

	Notes	Group		Parent	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Receipts from customers		64,703	74,912	-	-
Dividend income received		1,200	5,778	3,691	3,978
Interest income received		89	125	1,141	1,499
Income tax transfer receipts from group companies		-	405	-	-
		<u>65,992</u>	<u>81,220</u>	<u>4,832</u>	<u>5,477</u>
<i>Cash was disbursed to:</i>					
Payments to suppliers and employees		(57,379)	(52,852)	-	-
Subvention payments to Greater Wellington Regional Council		-	-	-	-
Business Interruption -Temp Work		19,305	-	-	-
Business Interruption -loss of rents		8,985	-	-	-
Income taxation paid		-	(2,617)	-	-
Interest expense paid		(11,136)	(8,304)	(1,083)	(1,411)
Temp Work		(19,305)	-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	<u>6,462</u>	<u>17,447</u>	<u>3,749</u>	<u>4,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Proceeds from Sale of Investment Property		-	-	-	-
Proceeds from sale of property, plant and equipment		6,696	-	-	-
Earthquake insurance payment received		75,066	-	-	-
<i>Cash was applied to:</i>					
Purchase of property, plant and equipment		(18,771)	(11,640)	-	-
Development of investment properties		(2,076)	(311)	-	-
Subsidiary company shares		-	-	(17,780)	(110,930)
Purchase of intangible assets		-	-	-	-
Acquisition of subsidiary		-	(355)	-	-
Loans granted to related parties		-	-	-	-
Earthquake Capital Expenditure		(2,357)	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>58,558</u>	<u>(12,306)</u>	<u>(17,780)</u>	<u>(110,930)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
Proceeds from borrowings		30	29	30	29
Issue of ordinary shares		17,780	110,930	17,780	110,930
Movement in current account - Greater Wellington Regional Council		-	-	-	-
<i>Cash was applied to:</i>					
Borrowings Repaid		(66,000)	-	-	-
Movement in current account - Greater Wellington Regional Council		(13,862)	(112,593)	(201)	(1,735)
Dividends paid to shareholders of the company		(3,740)	(3,929)	(3,578)	(2,360)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(65,792)</u>	<u>(5,563)</u>	<u>14,031</u>	<u>106,864</u>
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		(772)	(422)	-	-

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Cash Flows
For the year ended 30 June 2017
 (continued)

Add opening cash, cash equivalents / (overdraft) brought forward	993	888	4	4
Acquisition of subsidiary	-	527	-	-
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END	221	993	4	4

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017

1 Statement of compliance

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

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

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

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

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

2 Statement of accounting policies

(a) Basis of preparation

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements with those used at 30 June 2017.

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

Specific accounting policies

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

(b) Critical accounting estimates and judgements

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

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

The areas involving significant estimates or judgements are:

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

Property, plant and equipment and investment property valuation (note 8)

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

Capital works in progress treatment and recognition (note 8)

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Treatment of the joint control of Harbour Quays Special Purpose Vehicles (SPVs) (note 12)

Property, plant and equipment and investment property

Operational Port Land was revalued as at 30 June 2017. Refer to (note 8).

Investment Property was revalued to fair value as at 30 June 2017. Refer to note 11 for disclosure of the valuation and methodology

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

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 12 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 determined 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 its power over the investee. Specifically, the Parent controls an investee if and only if the Parent has all of the following:

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

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

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.

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

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 revenue and expenditure and other comprehensive revenue and expenditure 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 PBE 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 PBE IPSAS 26 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with PBE 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, revenue and expenditure's 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.

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

(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.

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
 (continued)

(e) Revenue recognition

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

(i) Rendering of services

Revenues from services are recognised in the accounting period in which the services have been rendered.

(ii) Rental income

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

(iii) Dividend and interest revenue

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

Business interruption insurance

Business interruption insurance is recognised on an accruals basis.

Income is stated exclusive of GST collected from customers.

(f) Property, plant and equipment

The Group has eight classes of property, plant and equipment

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

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

The fair value of operational port 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.

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

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

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
 (continued)

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

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

(g) Investment properties

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

The Group has three classes of investment properties:

Developed investment properties
 Land available for development

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.

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Consolidated entity as lessor:

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

Lease incentive

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

(i) Assets held for sale

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

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

(j) Intangibles assets

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

(k) Impairment of assets

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

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

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

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

(l) Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

(m) Investments in subsidiaries and associates

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

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

(n) Cash and cash equivalents

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

(o) Inventories

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

(p) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

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.

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
 (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

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

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

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

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

(ii) Loans and receivables

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

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Financial liabilities

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

Trade and other Payables

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

Borrowings

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

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 revenue and expenditure

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

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

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

(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 issued but not yet effective.

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

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

PBE IFRS 9 Financial Instruments - effective date 1 January 2021

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

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

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

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

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

PBBE IPSAS 37 Joint arrangements - effective date 1 January 2019

WRC Holdings Limited
Notes to the Financial Statements
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(continued)

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

3 Operating surplus / (deficit) before subvention and taxation

	Group		Parent	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Rental income (exchange revenue)	12,740	10,670	-	-
Operating Revenue	57,115	(1,589)	-	-
CentrePort income (exchange revenue)	-	70,900	-	-
Interest (exchange revenue)	58	259	1,146	1,437
Operational grants from GWRC (non-exchange revenue)	10,639	12,999	-	-
Dividend income (exchange revenue)	-	-	-	5,208
Gain on sale of fixed assets (exchange revenue)	-	1,280	-	-
Interest received	161	-	-	-
Other (exchange revenue)	2	128	-	-
Share of profit of investments using the equity method (including earthquake costs and fair value adjustments)	<u>(18,614)</u>	<u>7,022</u>	<u>-</u>	<u>-</u>
	<u>62,101</u>	<u>101,669</u>	<u>1,146</u>	<u>6,645</u>
Fair value (loss) / gain on investment properties GW				
Rail	(97)	(222)	-	-
Fair value gain on financial instruments	10,330	(7,613)	-	26
Fair value (loss) gain on CentrePort Investment Property	-	2,801	-	-
Gain on Sale of Investment Property	-	233	-	-
	<u>10,233</u>	<u>(4,801)</u>	<u>-</u>	<u>26</u>
Expenses, excluding finance costs				
Amortisation	196	182	-	-
Employee benefits expense	23,078	22,024	-	-
Depreciation	23,404	23,371	-	-
Other services provided by audit	-	15	-	-
Audit Services	224	140	19	19
Directors fees and expenses	495	517	13	10
Management fees	152	123	77	67
Repairs and Maintenance	16,667	13,214	-	-
Rates and Insurance	4,021	5,070	6	6
Other operating expenses	24,491	26,694	5	5
Tax services	52	85	10	21
Legal	33	518	8	24
Rental and Lease Expenses	2,821	2,678	-	-
Stock and other impairment	127	5,149	-	-
	<u>95,761</u>	<u>99,780</u>	<u>138</u>	<u>152</u>
Net finance costs	<u>10,713</u>	<u>8,419</u>	<u>1,083</u>	<u>1,410</u>
Operating surplus before subvention, taxation and earthquake related costs	<u>(34,140)</u>	<u>(11,331)</u>	<u>(75)</u>	<u>5,109</u>

WRC Holdings Limited
Notes to the Financial Statements
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(continued)

4 Earthquake Related Items

Kaikoura Earthquake

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

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

CentrePort Limited has a total insured value (in relation to port infrastructure) of \$600m for both Material Damage and Business Interruption combined. The Business Interruption covers a 36 month indemnity period. Insurance progress payments of \$100m were received by CentrePort Limited in the year ended 30 June 2017. This payment was applied to business interruption (loss of rents and temporary works) in the first instance and secondly to material damage. CentrePort Properties Limited received a progress payment of \$3.4m.

CentrePort Properties Limited, including its associate entities (SPVs') has a total insured value of their property portfolio of \$276.3m including loss of rents (of up to \$49.8m). The indemnity period is 36 months. A progress payment of \$10.0m has been received in the 2017 financial year. A further \$3.7m has been paid in relation to the property deductible buy down policy. Initial draft damage assessment reports for the investment properties have been prepared by independent advisors. Insurance and property related impacts for CentrePort Properties Limited are included in the Group line items as expanded on below. As the SPVs are equity accounted, the impact of the earthquake in relation to the SPVs is accounted for separately as described in note 12

The following table shows the net proceeds applied in the financial statements for the year ended 30 June 2017:

	Material Damage \$'000	Business Interruption \$'000	Total \$'000
Loss of gross profits and rents	-	8,985	8,985
Temporary works expenditure incurred to date	-	19,305	19,305
Material damage - preliminary estimates	<u>137,751</u>	-	<u>137,751</u>
Total Insurance income in the year ended 30 June 2017	<u>137,751</u>	<u>28,290</u>	<u>166,041</u>
Total Insurance Income	137,751	28,290	166,041
Less progress payments received	<u>(75,066)</u>	<u>(28,290)</u>	<u>(103,356)</u>
Receivable as at 30 June 2017	<u>62,685</u>	<u>-</u>	<u>62,685</u>

Impairment of Assets

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

WRC Holdings Limited
Notes to the Financial Statements
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	Total \$'000
Asset impairment arising out of the earthquake:	
- Estimated asset impairments relating to damaged assets	51,207
- Impairment and fair value write-down on investment properties owned by Centerport Properties Ltd	12,761
	63,968

Impairment Sensitivity Analysis

Of the \$64m impairment, \$47m relates to assets that are completely destroyed and fully written off and \$17m relates to estimates of impairment for partially damaged assets ranging from 10% to 80%. If the percentage of estimated damage is altered by +/- 10% this would result in an increase or decrease in the impairment provision (and therefore total comprehensive income) by \$1.7m

Port Land

An adjustment of \$63m to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. The estimated resilience work cost of \$63m is based on a square meter rate of \$164,000 based on recent work undertaken to stabilise the container wharf. This adjustment represents a critical accounting estimate as actual costs may differ significantly once the work is fully scoped. A 5% increase or decrease in the square metre rate or land area would result in movement in the fair value of land of \$3.1m, see (note 8).

Business Interruption

An estimate of the amount recoverable for Business Interruption and Loss of Rents has been made for the period to 30 June 2017. The amount has been calculated based on the estimated loss of revenue and has not yet been agreed with the insurer and therefore could be subject to change in future periods.

A change to the estimated loss of revenue of + / - 10% would result in an increase / decrease in the business interruption income estimate accrued of \$1m.

Material Damage Insurance Receivable

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

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

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

There is no material contingent asset in relation to the commercial property claim with the exception of the Wellington Port Coldstores Limited and Harbour Quays F1F2 Limited properties (see note 23).

Earthquake deductible expenditure

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

Net Insurance Recovery - Associates and Joint Ventures

The estimated Wellington Port Coldstore insurance proceeds for material damage have been accounted for in the year ended 30 June 2017. CentrePort owns 50% of the Coldstore and its share of the net impact of \$3.6m income has been included in the associate earnings for the year.

The estimated impact of the Kaikoura on the SPV entities is a \$27.2m loss. This has been included in the Share of profit/(loss) of investments using the equity method.

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Tax impact

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

5 Taxation

	Group 2017 \$'000	2016 \$'000	Parent 2017 \$'000	2016 \$'000
(a) Income tax recognised in profit or loss				
Tax expense / (benefit) comprises:				
Current tax expense / (income)	50	1,824	-	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	13,784	10,502	-	-
Adjustments recognised in current period in relation to deferred tax in prior periods	(1,372)	-	-	-
Tax loss recognised	-	-	-	-
Total Tax (benefit) / expense	12,462	12,326	-	-
Tax (benefit) / expense is attributable to:				
Continuing operations	12,462	12,326	-	-
	Group 2017 \$'000	2016 \$'000	Parent 2017 \$'000	2016 \$'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	48,628	(11,331)	(75)	5,109
Income tax (benefit) / expense calculated at 28%	13,616	(3,173)	(21)	1,430
Non-deductible expenses	8,273	5,164	-	3
Non-assessable income	(12,075)	(6,003)	-	(1,458)
Land and buildings reclassification	-	-	-	-
(Increase) / decrease in value of developed investment property land	1,592	(784)	-	-
Non-assessable increase / (decrease) in value of land for development	-	-	-	-
Tax effect of imputation credits	-	-	-	-
Temporary differences	2,462	17,030	-	-
Permanent differences	16	(130)	-	-
Tax loss offsets from or subventions paid to Group companies	-	-	-	-
Unused tax losses and tax offsets not recognised	-	-	21	25
(Over) / under provision of income tax in previous period	(1,422)	222	-	-
Income tax expense	12,462	12,326	-	-
(c) Imputation credit account balances				
Balance at end of the period	14,924	13,625	508	508
(d) Tax losses not recognised				

WRC Holdings have unrecognised tax losses of \$392,175 (2016: 316,551) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses at 28% is \$109,809 (2016: 88,634).

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

A number of assumptions have been applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. The most material assumption is the allocation of \$117m of the insurance proceeds to assets that are likely to be deemed disposed of for tax purposes. The allocation is based on the indemnity value of the key assets considered to be irreparable as a result of the earthquake. This assumption results in non taxable capital gains of \$32m (tax effect of \$9m) being the proceeds over and above the original cost. The historic tax depreciation claimed on the assets deemed to be destroyed that is likely to be recovered by Inland Revenue has been reflected as a deferred tax liability (tax effect \$17m). The remainder of the proceeds are deemed to be taxable as the related expenditure on repairs will be deductible.

6 Trade & other receivables

	Group		Parent	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Net trade receivables				
Trade debtors	6,012	7,562	-	-
Provision for doubtful debts	(23)	(2)	-	-
	<u>5,989</u>	<u>7,560</u>	<u>-</u>	<u>-</u>
Associated entity receivable	9	-	-	-
Dividends receivable	-	-	-	3,691
Other receivables	878	366	-	1
Receivable on sale of property	-	7,100	-	-
Prepayments	186	645	23	23
Interest receivable	53	-	53	49
	<u>7,115</u>	<u>15,671</u>	<u>76</u>	<u>3,764</u>

Provision for doubtful debts

	Group		Parent	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance	2	-	-	-
Amounts written off during the year	-	(3)	-	-
Increased in allowance recognised in statement of comprehensive income	21	5	-	-
Closing balance	<u>23</u>	<u>2</u>	<u>-</u>	<u>-</u>

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

Included in trade receivables are debtors with a carrying amount of \$1.548 million, which are past due at 30 June 2017 (2016: \$1.317 million). CentrePort believes that the amounts (net of doubtful debt provision) are recoverable.

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

7 Current Assets - Inventory

No inventories are held as security for liabilities as at 30 June 2017 (2016: Nil).

	Group		Parent	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Inventories				
Spares stock control	1,305	1,010	-	-
Fuel and stock control	<u>118</u>	<u>117</u>	-	-
	<u>1,423</u>	<u>1,127</u>	<u>-</u>	<u>-</u>

8 Property, plant and equipment

Group	Operational port freehold land \$'000	Buildings \$'000	Wharves and paving \$'000	Cranes and floating equipment \$'000	Plant, vehicles and equipment \$'000	Rolling stock \$'000	Transport infrastructure \$'000	Work in Progress \$'000	Total \$'000
Year ended 30 June 2016									
Opening net book amount	79,759	13,441	47,264	27,941	8,974	213,455	61,310	42,150	494,294
Additions	-	-	-	-	32	84,131	5,411	42,577	132,151
Transfers	82	197	3,599	2,488	715	27,643	2,126	(36,915)	(65)
Disposals / written off	-	-	-	-	-	-	(242)	-	(242)
Reclassification	81	-	-	2,237	(2,237)	-	-	-	81
Impairment	-	-	(218)	-	-	-	-	-	(218)
Transfers to assets held for sale	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(822)	(2,710)	(2,494)	(743)	(12,972)	(3,630)	-	(23,371)
Closing net book amount	79,922	12,816	47,935	30,172	6,741	312,257	64,975	47,812	602,630
At 30 June 2016									
Cost	79,922	27,243	97,300	48,742	18,197	342,386	64,586	47,812	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	312,257	64,975	47,812	602,630

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Group	Operational port freehold land \$'000	Buildings \$'000	Wharves and paving \$'000	Cranes and floating equipment \$'000	Plant, vehicles and equipment \$'000	Rolling stock \$'000	Transport infrastructur e \$'000	Work in Progress \$'000	Total \$'000
Year ended 30 June 2017									
Opening net book amount	79,922	12,816	47,935	30,172	6,741	312,257	64,975	47,812	602,630
Provision for resilience	(63,000)	-	-	-	-	-	-	-	(63,000)
Additions	-	-	1,214	-	-	13,219	382	21,324	36,139
Transfers	24,718	2,171	4,465	-	7,896	35,646	791	(48,628)	27,059
Disposals / written off	-	-	-	(23)	(63)	-	(171)	-	(257)
Reclassification	-	-	-	-	-	-	-	-	-
Revaluation gain / (loss)	9,012	-	-	-	-	-	-	-	9,012
Impairment	-	(6,850)	(34,075)	(3,580)	(842)	-	(125)	(5,860)	(51,332)
Depreciation charge	-	(590)	(1,596)	(1,611)	(1,095)	(14,645)	(3,868)	-	(23,405)
Loss on disposal	-	-	-	-	-	-	-	-	-
Depreciation retired	-	-	-	-	-	-	80	-	80
Closing net book amount	<u>50,652</u>	<u>7,547</u>	<u>17,943</u>	<u>24,958</u>	<u>12,637</u>	<u>346,477</u>	<u>62,064</u>	<u>14,648</u>	<u>536,926</u>
At 30 June 2017									
Cost	50,652	22,567	67,670	49,093	16,857	391,251	65,586	14,648	678,324
Valuation	-	-	-	-	-	(4,923)	6,778	-	1,855
Accumulated depreciation	-	(15,020)	(49,727)	(24,135)	(4,220)	(39,851)	(10,300)	-	(143,253)
Net book amount	<u>50,652</u>	<u>7,547</u>	<u>17,943</u>	<u>24,958</u>	<u>12,637</u>	<u>346,477</u>	<u>62,064</u>	<u>14,648</u>	<u>536,926</u>

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Capitalised Work in Progress

	2017 \$'000
Wharves	334
Mobile	2,977
Other	1,556
	4,867

Capital Work in Progress

Capital work in progress include capital projects requiring resource consent to proceed. The Board and management regularly reviews 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 determined they will proceed.

Borrowing costs capitalised

During the year no borrowing costs were capitalised (2016: nil).

Operational Port Land

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

	2017 \$'000
Industrial Zoned Land	79,590
Commercial Zoned	8,831
Total Operational Port Land	88,421
Provision for Resilience	(63,000)
Carrying Value Operational Port Land	25,421
Carrying Value Operational Other Port Land	25,231
Carrying Value Operational Port Land 30 June 2017	50,652

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

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

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

As at 30 June 2017 operational port land subject to valuation was assessed to have a total value of \$110.5m. Each freehold parcel of land is valued on a rate per square metre basis using the direct sales comparison approach. In carrying out this comparison, consideration is given to:

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

Key assumptions underlying the valuation are set out below:

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

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

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

Valuation approach - operational port leasehold land

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

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

Market rental is assessed using both the:

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

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

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

Leasehold land	Fair value \$'000	Valuation approach	Key valuation assumptions	Valuation impact
Operational port land	\$25,231	Capitalised market rental checked to comparable sales of freehold land	Capitalisation rates 7.0 - 7.5%	+/- 0.025% (\$0.2m)

Group		Parent	
2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Port Land Resilience

The geotechnical stability of the land, settlement and risk of ongoing business interruption has influenced the valuation. The Asset Management Plan includes significant ground resilience expenditure planned for the next 5 years to stabilise the land and further work is being undertaken to improve the seismic resilience in the land and erosion impact.

An adjustment of \$63m to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. The estimated resilience work cost of \$63m is based on a square metre rate of \$164,000 based on recent work undertaken to stabilise the container wharf. This adjustment represents a critical accounting estimate as actual costs may differ significantly once the work is fully scoped. A 5% increase/decrease in the square metre rate or land area would result in movement in the fair value of land of \$3.1m.

Greater Wellington Rail Limited (GWRL)

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

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

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

9 Intangible assets

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
Impairment charge	(15)	-	(15)
Amortisation charge	-	(180)	(180)
Closing net book amount	<u>2,675</u>	<u>372</u>	<u>3,047</u>
At 30 June 2016			
Cost	2,675	404	3,079
Accumulated amortisation and impairment	-	(32)	(32)
Net book amount	<u>2,675</u>	<u>372</u>	<u>3,047</u>
Year ended 30 June 2017			
Opening net book amount	2,675	372	3,047
Additions	-	436	436
Acquisition of subsidiary	-	-	-
Amortisation	-	(196)	(196)
Closing net book amount	<u>2,675</u>	<u>612</u>	<u>3,287</u>
At 30 June 2017			
Cost	2,675	4,038	6,713
Accumulated amortisation and impairment	-	(3,426)	(3,426)
Net book amount	<u>2,675</u>	<u>612</u>	<u>3,287</u>

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

10 Investments in subsidiaries

PIL owns 76.9% of CentrePort group and the Group had the following subsidiaries at 30 June 2017

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

Name	Principal activity	Place of incorporation and operation	Equity holding	
			2017	2016
Port Investments Limited	Investment management	New Zealand	100.0%	100.0%
Greater Wellington Rail Limited	Rail rolling stock owner	New Zealand	100.0%	100.0%
CentrePac	Container packing	New Zealand	76.9%	76.9%
Harbour Quays D3 Limited	Commercial rental property	New Zealand	76.9%	76.9%
Harbour Quays C1 limited	Commercial rental property	New Zealand	76.9%	76.9%
CentrePort Limited	Port operations	New Zealand	76.9%	76.9%
CentrePort Property Management Limited	Management Services	New Zealand	76.9%	76.9%
CentrePort Properties Limited	Investment in special purpose vehicle	New Zealand	76.9%	76.9%
Harbour Quays Property Limited	Investment in special purpose vehicle	New Zealand	76.9%	76.9%
Harbour Quays Shed 39 Limited	Commercial rental property	New Zealand	76.9%	76.9%
			Parent	
			2017	2016
			\$'000	\$'000
Port Investments Limited - advance			44,000	44,000
Greater Wellington Rail Limited			214,453	196,673
Total investments in subsidiary companies			258,453	240,673

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

11 Investment Properties

	Group		Parent	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Developed Investment Properties	4,750	26,336	-	-
Land Available for Development	<u>12,022</u>	<u>21,596</u>	-	-
	<u>16,772</u>	<u>47,932</u>	-	-
Developed Investment Property as at 1 July	26,336	26,548	-	-
Transfer to Port Land	(15,676)	-	-	-
Additions	519	-	-	-
Impairments and Fair Value Change (earthquake)	(6,429)	-	-	-
Transfer from/(to) Land Available for Development	-	37	-	-
Net Change in the Value of Developed Investment Property *	-	<u>(249)</u>	-	-
	<u>4,750</u>	<u>26,336</u>	-	-
Land Available for Development as at 1 July	21,596	23,836	-	-
Transfer to Port Land	(5,942)	(81)	-	-
Additions	2,700	304	-	-
Disposals	-	(5,420)	-	-
Transfer from / (to) Developed Investment Property	-	(37)	-	-
Depreciation of Infrastructure	-	(63)	-	-
Impairments and Fair Value Change (earthquake)	(6,332)	-	-	-
Net Change in the Value of Land Available for Development *	-	<u>3,057</u>	-	-
	<u>12,022</u>	<u>21,596</u>	-	-
	<u>16,772</u>	<u>47,932</u>	-	-

Valuation

Investment properties are revalued every year. Investment properties were valued on 30 June 2017 by independent registered valuers Bayleys.

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

The fair value of the investment property at 30 June 2017 is \$16.8 million (2016: \$47.9 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.

During the year, \$21.6m of Leasehold Land was transferred to Port Operational Land.

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.

The property sustained significant damage to the buildings as a result of the Kaikoura earthquake. Damage assessment reports are being undertaken. The valuations have been prepared on the basis that the property is structurally sound and did not take into account any costs to remedy the building following the earthquake. The impairment provision reflects the repair work to be completed.

Valuation Approach

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

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 9. This hierarchy reflects the significance of the inputs used in making the measurements.

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

Freehold Investment Property

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

Leasehold Investment Property

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

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

Market rental is assessed using both the:

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

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

	Fair Value \$'000	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Improved Properties	\$7,750	Capitalised rental checked to freehold land value	Market capitalisation rate of 8.75%	+ / - 0.25% +\$0.2m / - \$0.2m
Total Developed Investment Property	\$7,750			

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Development Sites Commercial	\$15,422	Direct sales comparison	Weighted average land value \$550 to \$2,100psm	+/- 5% (\$0.8m)
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Total Land Available for Development	\$15,422
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12 Aggregated Joint Venture Information

Interests in Joint Ventures

Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) are accounted for as joint ventures of the Group although the SPVs are wholly owned by CentrePort Properties Limited, 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.

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Summarised financial information for joint ventures

	Port Associates		Property Associates		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash and cash equivalents	1,587	70	7,454	4,563	9,041	4,633
Insurance receivable	10,419	-	93,220	-	103,639	-
Other current assets (excluding cash)	269	665	8	908	277	1,573
Total current assets	12,275	735	100,682	5,471	112,957	6,206
Other current liabilities (including trade payables)	(429)	(288)	(1,821)	(1,916)	(2,250)	(2,204)
Total current liabilities	(429)	(288)	(1,821)	(1,916)	(2,250)	(2,204)
Non-current assets	14	5,689	38,572	165,137	38,586	170,826
Total non-current assets	14	5,689	38,572	165,137	38,586	170,826
Financial liabilities	-	(1,873)	(83,965)	(91,612)	(83,965)	(93,485)
Total non-current liabilities	-	(1,873)	(83,965)	(91,612)	(83,965)	(93,485)
Net assets	11,860	4,263	53,468	77,080	65,328	81,343
Share of Net Assets	5,929	2,131	53,468	77,080	59,397	79,211

WRC Holdings Limited
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(continued)

Summarised statements of comprehensive income

	Port Associates		Property Associates		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue	2,236	5,606	5,631	17,680	7,867	23,286
Operating expenses	(3,259)	(5,091)	(4,161)	(4,491)	(7,420)	(9,582)
Net finance cost	(62)	(150)	(5,275)	(5,749)	(5,337)	(5,899)
	<u>(1,085)</u>	<u>365</u>	<u>(3,805)</u>	<u>7,440</u>	<u>(4,890)</u>	<u>7,805</u>
Earthquake Related Items	-	-	-	-	-	-
Costs and impairments	(6,917)	45	(130,766)	(506)	(137,683)	(461)
Insurance income	15,599	-	103,530	506	119,129	506
Profit or loss from continuing operations	<u>7,597</u>	<u>410</u>	<u>(31,041)</u>	<u>7,440</u>	<u>(23,444)</u>	<u>7,850</u>
Income tax (expense)/ benefit	-	-	265	(1,238)	265	(1,238)
Post-tax profit from continuing operations	<u>7,597</u>	<u>410</u>	<u>(30,776)</u>	<u>6,202</u>	<u>(23,179)</u>	<u>6,612</u>
Fair value adjustments	-	-	8,364	614	8,364	614
Total comprehensive income	<u>7,597</u>	<u>410</u>	<u>(22,412)</u>	<u>6,816</u>	<u>(14,815)</u>	<u>7,226</u>
Share of comprehensive income	3,798	205	(22,412)	6,817	(18,614)	7,022
Dividends received from joint venture or associate	-	-	1,200	5,785	1,200	5,785

Reconciliation of summarised financial information

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

	Port Associates		Property Associates		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening net assets 30 June	4,261	3,852	77,080	81,535	81,341	85,387
Correction of error	-	-	-	(5,486)	-	(5,486)
	<u>4,261</u>	<u>3,852</u>	<u>77,080</u>	<u>76,049</u>	<u>81,341</u>	<u>79,901</u>
Profit/(loss) for the year	7,597	410	(22,412)	6,816	(14,815)	7,226
Dividend	-	-	(1,200)	(5,785)	(1,200)	(5,785)
Closing net assets	<u>11,858</u>	<u>4,262</u>	<u>53,468</u>	<u>77,080</u>	<u>65,326</u>	<u>81,342</u>
Interest in joint venture	<u>5,929</u>	<u>2,131</u>	<u>53,468</u>	<u>77,080</u>	<u>59,397</u>	<u>79,211</u>

WRC Holdings Limited
Notes to the Financial Statements
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Details of the Group's material joint ventures at the end of the reporting period are as follows:

Name of entity	Principal activities	Proportion of ownership interest	
		2017	2016
Harbour Quays A1 Limited	Commercial rental property	100%	100%
Harbour Quays D4 Limited	Commercial rental property	100%	100%
Harbour Quays F1F2 Limited	Commercial rental property	100%	100%
Wellington Port Coldstore Limited	Cold storage or products	50%	50%
Direct Connect Container Services Limited	Transport hubbing and logistics	50%	50%

	Group		Parent	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Carrying amount at beginning of year	79,211	83,736	-	-
Correction of error	-	(5,486)	-	-
Share of profit / (loss) of joint ventures	(18,614)	7,021	-	-
Dividends from joint ventures	(1,200)	(5,785)	-	-
Transfer net assets of CentrePac Limited to wholly owned subsidiary on acquisition of remaining interest	-	(300)	-	-
Investment in Direct Connect Series Limited	-	25	-	-
Total current assets	<u>59,397</u>	<u>79,211</u>	<u>-</u>	<u>-</u>
Represented by:				
Harbour Quays A1 Limited	16,085	16,807	-	-
Harbour Quays D4 Limited	13,071	14,404	-	-
Harbour Quays F1F2 Limited	24,312	45,869	-	-
Other Joint Venture Companies	5,929	2,131	-	-
	<u>59,397</u>	<u>79,211</u>	<u>-</u>	<u>-</u>

Earthquake damage

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

CentrePort Properties Limited is managing the insurance process for the SPV group and Wellington Port Coldstore Limited. Work has commenced on the insurance claim process. The claim was not submitted at 30 June 2017. During the year, the SPV group received a non-specific advance of \$10.3m.

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

Harbour Quays A1 Limited

The Statistics New Zealand building sustained significant damage to the building as a result of the Kaikoura earthquake. Damage assessment reports have been completed and they conclude that the building is destroyed and is uneconomic to repair or restore the damage. The building has been fully impaired in the financial statements for the year ended 30 June 2017. The property has an insured value of \$43.0m and has been accounted for on the basis that the insurance claim for total loss of the building will be accepted. The Company had a Business Interruption loss of rents policy which covers a 36 month indemnity period. Due to the tenants rent free period under their lease (up to February 2018), Business Interruption proceeds have not been received in the financial year ended 30 June 2017.

WRC Holdings Limited
Notes to the Financial Statements
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(continued)

Harbour Quays D4 Limited

The Customhouse property was damaged in the earthquake and damage assessments have concluded that both structural and non-structural damage was caused however it was relatively minor compared to the damage sustained by other buildings. The building has an insured value of \$38.5m and a Business Interruption loss of rents policy which covers a 36 month indemnity period. An estimate of the amount recoverable for Business Interruption Loss of Rents has been included as insurance income receivable. The estimated costs to repair the building (total of \$3m) has been recognised as a material damages receivable, after taking the deductible into account.

Harbour Quays F1F2 Limited

BNZ House sustained significant damage and initial damage assessment reports conclude that it is likely that the building will be deemed to be uneconomic to repair or restore however there is considerable uncertainty in relation to this. The building has an insured value of \$111.5m and Business Interruption Loss of Rents which covers a 36 month indemnity period expiring November 2019. The financial statements for HQ F1F2 Limited have been prepared on the basis that the insurance claim for the earthquake damage to the building will be accepted, however they reflect the uncertainty relating to whether this will be for the full loss to the building (being the indemnity value of \$84.8m) or for building repairs (which could range from a lowest estimate of \$60m up the full sum insured of \$111.5m).

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

Wellington Port Coldstore Limited

The Coldstore sustained significant damage to the building as a result of the Kaikoura earthquake. Damage assessment reports have been completed and they conclude that the building is destroyed and is uneconomic to repair or restore the damage. The building has been fully impaired in the financial statements for the year ended 30 June 2017. The property has an insured value and business interruption policy of \$21.1m, however the financial statements reflect a \$13.0m settlement value including business interruption of \$14.5m. The business interruption policy is for a 12 month indemnity period.

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

Joint Venture Company Mandatory Convertible Note (MCN) Conversion Derivative

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 be less than 50% of the conversion property values. This is a change from previous years calculation when the derivative was deemed to arise when the fair value of the MCNs exceeded 50% of the security value (refer note 29). 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 Mandatory 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 three joint venture companies at 30 June 2017 (2016: restated \$8.4m).

This is because the value of each building has decreased compared to 2016 and the Index Adjusted Principal Amounts (IAPAs) have increased. Consequently the differential between 50% of the expected value of the securities at conversion date and the IAPA at conversion date has decreased.

The forecast security values for F1F2 and A1 at conversion in 2024 or 2026 are based on the properties being fully repaired and reoccupied or rebuilt using insurance proceeds and reoccupied. As the carrying value of the MCNs are significantly above 50% of the security values there are no material sensitivity exposures as the forecast security values would need to increase significantly before a mandatory convertible note conversion liability would need to be recorded.

WRC Holdings Limited
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13 Deferred tax

	Group		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Tax losses	16,367	5,374	-	-
Temporary differences	(109,945)	(86,589)	-	-
Net Deferred Tax	<u>(93,578)</u>	<u>(81,215)</u>	<u>-</u>	<u>-</u>

	Group		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Unrecognised deferred tax balances				
Tax losses	-	-	(110)	(89)
Unused tax credits	-	-	-	-
Temporary differences	-	-	(3)	(3)
	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>(92)</u>

Movements - Group

	Investment properties	Property, plant and equipment	Trade and other payables	Other financial liabilities	Tax losses	Insurance recoverable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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)
At 30 June 2016	<u>(978)</u>	<u>(91,980)</u>	<u>1,019</u>	<u>5,350</u>	<u>5,374</u>	<u>-</u>	<u>(81,215)</u>

Movements - Group

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

The net deferred tax balance comprises of a deferred tax asset of \$2,947 and a deferred tax liability of \$96,524.

14 Interest bearing liabilities

	Group		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Bank overdrafts	-	-	-	-
Bank borrowings	146	876	-	-
Total current interest bearing borrowings	<u>146</u>	<u>876</u>	<u>-</u>	<u>-</u>
Non-current				
Bank borrowings	80,080	146,050	44,080	44,050
Total non-current interest bearing liabilities	<u>80,080</u>	<u>146,050</u>	<u>44,080</u>	<u>44,050</u>
Total interest bearing liabilities	<u>80,226</u>	<u>146,926</u>	<u>44,080</u>	<u>44,050</u>

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The Parent has a commercial paper of \$44.3 million (2016: \$44.3 million) on issue which is supported by a \$44 million (2016: \$44 million) bank facility with the Commonwealth Bank of Australia Limited. The debt is secured by \$50 million of uncalled shares in favour of Wellington Regional Council. The security is maintained by Trustee Executors. The interest rate charged as at 30 June 2017 was 2.00% p.a. (2016: 2.38% 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 \$150 million (2016: \$150 million) with renewal dates ranging from 2 to 5 years for \$125 million (2016: \$125 million) of the facilities. There is also an evergreen facility of \$25 million (2016: \$25 million) subject to a 13 month cancellation notice.

The interest rate charged on the facilities ranged from 1.98% to 5.96% p.a. (2016: 2.38% to 5.86%) plus bank margins. Borrowings under the bank facilities are supported by a negative pledge deed.

Wellington Regional Council (with a long-term S&P credit rating of AA), guarantees the borrowings of CentrePort Limited up to their current banking facility limit of \$150 million (2016: \$150 million). In recognition of the provision of the guarantee the company pays a guarantee fee to Wellington Regional Council (refer related party transactions).

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15 Employee entitlements

	Group		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits	<u>3,153</u>	<u>3,140</u>	<u>-</u>	<u>-</u>
Non-current				
Employee benefits	<u>752</u>	<u>906</u>	<u>-</u>	<u>-</u>
Total Provisions	<u>3,905</u>	<u>4,046</u>	<u>-</u>	<u>-</u>

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

The rate used for discounting the provision for future payments is 2.90% (2016: 2.90%).

16 Dividends payable

	Group		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) Ordinary shares				
Dividend payable to Wellington Regional Council	<u>-</u>	<u>3,578</u>	<u>-</u>	<u>3,578</u>
Total dividends payable	<u>-</u>	<u>3,578</u>	<u>-</u>	<u>3,578</u>

No dividend has been declared post balance date by CentrePort Limited (2016: \$700,000).

17 Equity

	Group		Parent	
	2017	2016	2017	2016
	\$'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	150,925	139,425	150,925	139,425
8,000,000 \$1 shares, fully paid	8,000	5,600	8,000	5,600
11,250,000 \$1 shares, fully paid	11,250	11,250	11,250	11,250
6,700,000 \$1 shares, fully paid	6,700	6,700	6,700	6,700
10,100,000 \$1 shares fully paid	10,100	6,220	10,100	6,220
50,000,000 \$1 shares uncalled	-	-	-	-
Redeemable Preference Share Capital				
25,000 \$1000 shares, paid to 1 cent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total share capital	<u>248,995</u>	<u>231,215</u>	<u>248,995</u>	<u>231,215</u>

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

18 Non-controlling interest

	Group		Parent	
	2017 \$'000	Restated* 2016 \$'000	2017 \$'000	2016 \$'000
Opening Balance at 01 July	46,459	45,350	-	-
Share of operating surplus / (deficit)	11,946	2,681	-	-
Share of dividends paid or payable	(162)	(1,572)	-	-
Share of movements in revaluation reserve	(12,472)	-	-	-
Balance of Non-controlling Interest at 30 June	<u>45,771</u>	<u>46,459</u>	<u>-</u>	<u>-</u>

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

WRC Holdings Limited
Notes to the Financial Statements
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19 Reconciliation of surplus for the year with cash flows from operating activities

	Group 2017 \$'000	2016 \$'000	Parent 2017 \$'000	2016 \$'000
Net (deficit) / surplus after tax	36,166	(23,657)	(75)	5,109
Add / (less) non-cash items:				
Depreciation	23,467	23,371	-	-
Amortisation	193	182	-	-
Impairment / written off of fixed assets	-	233	-	-
Inventory adjustment	127	4,901	-	-
(Gain) / loss on sale of property, plant & equipment	92	(1,058)	-	-
Loss on fair value movement financial instruments	(10,330)	7,639	-	-
Revaluation loss on rail assets	-	-	-	-
Write down / (up) of investment properties	-	(2,801)	-	-
Earthquake related costs	63,968	-	-	-
Equity accounted earnings from associate companies	19,814	(1,245)	-	-
Deferred tax liability	22,221	10,501	-	-
Change in provision for doubtful debt	-	(2)	-	-
Add / (less) movements in working capital:				
Accounts receivable	8,595	(1,381)	(4)	61
Accounts payable	(1,545)	2,433	-	-
Insurance receivable	(62,685)	-	-	-
Dividends receivable	-	-	3,691	(1,230)
Inventory	11,853	(5,250)	-	-
Borrowings	(730)	(133)	-	-
Taxation - refund	(9,787)	(388)	-	-
Financial Instruments	-	-	-	-
Current account - Greater Wellington Regional Council	-	-	-	-
Current account - Port Investments Limited	-	-	-	-
Employee entitlements	(141)	284	-	-
Other movements	-	2,174	-	-
Add / (less) items classified as investing and financing activities:				
Increase / (decrease) in current accounts relating to financing activities	-	82	137	126
Accounts payable related to property, plant and equipment	(21,607)	(120,912)	-	-
Accounts receivable related to property, plant and equipment	(7,100)	-	-	-
Insurance progress payment schedule	(75,066)	-	-	-
Increase in share capital	17,780	110,930	-	-
Current account - Greater Wellington Regional Council	(8,823)	11,544	-	-
Net cash inflow from operating activities	6,462	17,447	3,749	4,066

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 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 bank facility providers. These covenants have been complied with during the period.

Significant accounting policies

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

Capital risk management

CentrePort manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings - disclosed in note 13 - , cash reserves and retained earnings.

Externally imposed capital requirements

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

Estimation of fair value of financial instruments

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

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

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

Fair value measurements recognised in the statement of financial position

All financial instruments recognised on both CentrePort's and WRC Holdings Limited's balance sheet at fair value sit within level 2.

WRC Holdings Limited
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(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 2017, neither WRC Holdings parent nor WRC Holdings Group had entered into any forward exchange contracts (WRC Holdings Group 2016: no FX contracts).

Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest rate swaps - (assets)	-	-	-	-
Interest rate swaps - liabilities	<u>8,778</u>	<u>19,109</u>	-	-
Total other financial (assets) / liabilities	<u>8,778</u>	<u>19,109</u>	<u>-</u>	<u>-</u>
<i>Represented by:</i>				
Current assets	-	-	-	-
Non-current assets	-	-	-	-
Current liabilities	-	36	-	-
Non-current liabilities	<u>8,778</u>	<u>19,073</u>	-	-
Total other financial (assets) / liabilities	<u>8,778</u>	<u>19,109</u>	<u>-</u>	<u>-</u>

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 (2016: increase/decrease by \$441,000).

At reporting date, WRC Holdings Parent had not entered into any swaps (2016: no swaps). Therefore a change in swap rates has no impact (2016: no impact).

CentrePort

The sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1.0% (2016: 1.0%) increase or decrease represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by \$0.8 million (2016: increase/decrease by \$1.02 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.

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 \$3.4 million (2016: \$7.1 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 \$3.2 million (2016: \$7.7 million).

Interest rate swap contracts

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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 1.98% to 5.96% (2016: 4.19% to 5.96% p.a.) and maturities of:

			2017	2016
	2017	2016	Notional Value \$'000	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			-	-
Two to five years	1.98% - 1.99%	4.19% - 4.53%	(15,000)	30,000
Greater than Five years	5.36% - 5.96%	4.37% - 5.96%	50,000	80,000
Total other financial liabilities			<u>35,000</u>	<u>110,000</u>
Group fair value assets				
Group fair value liabilities				
Represented by:			8,778	19,109
Current Liabilities			-	-
Non-current Liabilities			-	36
			<u>8,778</u>	<u>19,073</u>

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2017 and 30 June 2016.

	Weighted average interest rate	Variable interest rate	Maturity profile of financial instruments					Non-inter est bearing	Total
			Less than one year	1-2 years	2-3 years	3-4 years	4-5 years		
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group 2017									
Financial Liabilities:									
Trade and other payables			9,325	-	-	-	-	9,325	9,325
Payables to employees			3,153	752	-	-	-	3,905	3,905
Debt - Parent	2.11	2.00	44,080	-	-	-	-	-	44,080
Debt - CentrePort	5.34	1.95	36,146	-	-	-	-	-	36,146
Total			<u>92,704</u>	<u>752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,230</u>	<u>93,456</u>
Group 2016									
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	102,876	-	-	-	-	-	102,876
Total			<u>160,888</u>	<u>906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,868</u>	<u>161,794</u>
Parent 2017									
Financial Liabilities									
Trade and other payables			83	-	-	-	-	83	83
Borrowings - WRC H	2.11	2.00	44,080	-	-	-	-	-	44,080
Total			<u>44,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u>44,163</u>
Parent 2016									
Financial Liabilities									
Trade and other payables			83	-	-	-	-	83	83
Borrowings - WRC H	3.19	2.38	44,050	-	-	-	-	-	44,050
Total			<u>44,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u>44,133</u>

(c) Credit risk management

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
30-60 days	719	249	-	-
60-90 days	160	474	-	-
90-120 days	415	367	-	-
121 days +	254	227	-	-
Total	<u>1,548</u>	<u>1,317</u>	<u>-</u>	<u>-</u>

No collateral is held on the above amounts.

Insurance receivables credit risk

A total of \$63 million was recognised as a receivable in relation to insurance proceeds at balance date due from various insurance institutions. Within the Associates results a total of \$104 million was recognised as a receivable. The credit ratings of each institution as published by Standard & Poor's are rated AA and above as at the date of these financial statements.

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 net, with gross indebtedness of \$6 million through a set off arrangement, (2016: \$2 million) and New Zealand dollar commercial bill facilities of \$150 million at balance date (refer to note 14 Interest Bearing Liabilities) (2016: \$150 million). Of these \$36 million (2016: \$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 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.

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

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Liquidity profile of financial instruments

The following tables detail the entity's liquidity profile based on undiscounted cash outflows at 30 June 2017 and 30 June 2016, assuming future interest cost on borrowings at 7.05% (2016: 6.7%).

Group - At 30 June 2017	Less than One Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Trade and other payables	9,325	-	-	-	-	-	9,325
Payables to employees	3,153	752	-	-	-	-	3,905
Other financial liabilities	-	14	-	-	-	8,764	8,778
Borrowings	6,788	70,205	14,118	-	-	12,846	103,957
Total	19,266	70,971	14,118	-	-	21,610	125,965
Group - At 30 June 2016							
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
Parent - At 30 June 2017							
	Less than One Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Trade and other payables	83	-	-	-	-	-	83
Borrowings	886	44,300	-	-	-	-	45,186
Total	969	44,300	-	-	-	-	45,269
Parent - At 30 June 2016							
Financial liabilities							
Trade and other payables	83	-	-	-	-	-	83
Payables to WRC	346	-	-	-	-	-	346
Borrowings	1,000	1,000	44,300	-	-	-	46,300
Total	1,429	1,000	44,300	-	-	-	46,729

(e) 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.

(f) Financial instruments by category

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
 (continued)

Financial assets as per balance sheet	Loans and receivables \$'000	At fair value through other comprehensive income \$'000	Total \$'000
Group			
At 30 June 2017			
Cash and cash equivalents	221	-	221
Trade and other receivables	69,800	-	69,800
Current account - Wellington Regional Council	6,271	-	6,271
	<u>76,292</u>	<u>-</u>	<u>76,292</u>
At 30 June 2016			
Cash and cash equivalents	993	-	993
Trade and other receivables	15,671	-	15,671
Current account - Wellington Regional Council	9,781	-	9,781
	<u>26,445</u>	<u>-</u>	<u>26,445</u>

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(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 2017			
Cash and cash equivalents	4	-	4
Trade and other receivables	76	-	76
Current account - Port Investments Limited	416	-	416
Current account - Wellington Regional Council	2,898	-	2,898
Other financial assets	-	-	-
	<u>3,394</u>	<u>-</u>	<u>3,394</u>
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
Other financial assets through profit or loss	2,953	-	2,953
Other financial assets	-	-	-
	<u>7,018</u>	<u>-</u>	<u>7,018</u>
Financial liabilities as per balance sheet			
	Derivatives classified as held for trading \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Group			
At 30 June 2017			
Trade and other payables	-	9,325	9,325
Borrowings	-	80,080	80,080
Other financial liabilities	8,778	-	8,778
	<u>8,778</u>	<u>89,405</u>	<u>98,183</u>
At 30 June 2016			
Trade and other payables	-	10,822	10,822
Borrowings	-	146,050	146,050
Other financial liabilities	19,109	-	19,109
	<u>19,109</u>	<u>156,872</u>	<u>175,981</u>
Parent			
At 30 June 2017			
Trade and other payables	-	83	83
Borrowings	-	44,080	44,080
	<u>-</u>	<u>44,163</u>	<u>44,163</u>
At 30 June 2016			
Trade and other payables	-	83	83
Borrowings	-	44,050	44,050
	<u>-</u>	<u>44,133</u>	<u>44,133</u>

21 Commitments

Leases

Capital commitments

The Parent Company, WRC Holdings Limited and Port Investments Limited has no capital or operating commitments as at 30 June 2017 (2016: nil)

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

CentrePort at balance date had commitments in respect of contracts for capital expenditure are \$1.9 million for the Group (2016: \$10.1 million). This relates to the purchase of a new pilot launch, work on satellite sites and on Seaview.

An additional \$8.8m was committed at June 2017 relating to the contract to secure the Ship to Shore Container Cranes.

The Group has significant claims for damage to port infrastructure assets and properties which will result in significant capital expenditure repairs and reinstatement. In the Company's Statement of Intent to its shareholder, the Company has estimated this to be \$197.5m for the group over the next 3 years. Total earthquake capital repairs and reinstatement costs are likely to exceed this sum and will extend beyond the next three years. The total earthquake repairs and reinstatement costs are yet to be determined.

Greater Wellington Rail at balance date had commitments in respect of contracts for capital expenditure of \$71.4 million (2016: \$22.3 million). This relates to the heavy maintenance the rolling stock.

Operating Leases

Operating lease payments relate to forklift trucks and 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. CentrePort Limited purchased its operating lease straddles during the year ended 30 June 2017 for \$5.4m.

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

Disclosure for Lessees

	Group		Parent	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not longer than 1 Year	484	1,367	-	-
Longer than 1 Year and not longer than 5 Years	966	2,567	-	-
Longer than 5 Years	751	868	-	-
	<u>2,201</u>	<u>4,802</u>	<u>-</u>	<u>-</u>

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

Disclosure for lessors

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

	Group		Parent	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not later than 1 Year	8,348	4,760	-	-
Later than 1 Year and not later than 5 Years	25,688	8,062	-	-
Later than 5 Years	26,626	8,226	-	-
	<u>60,662</u>	<u>21,048</u>	<u>-</u>	<u>-</u>

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

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

At year end the Company is owed \$416,237 by Port Investments Limited, its fully owned subsidiary (2016: The company was owed \$296,820 by Port Investments Limited). No interest is charged on these outstanding balances. Apart from this there are no related party transactions required to be disclosed during the year.

Key management personnel

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

	Group		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	3,079	2,759	13	10
Total key management personnel compensation	3,079	2,759	13	10

There are 6 full time key management personnel

23 Contingencies

The following contingent liabilities existed at 30 June 2017:

Contingent Liabilities

The Parent Company has uncalled capital in Port Investments Limited of \$10,000,100 (2016: \$10,000,100).

The Parent Company has uncalled capital in Greater Wellington Rail Limited of \$19,275,976 composed of 170,200,000 shares called to \$150,924,024 (2016: \$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).

CentrePort Limited had no contingent liabilities as at 30 June 2017 (2016: Unquantified claim that was resolved during the 2017 financial year).

Contingent Asset

The parent company has uncalled capital with its owner Greater Wellington Regional Council of \$50 million (2016: \$50 million)

The Group has significant claims on its insurers in relation to the Kaikoura earthquake on 14 November 2016. Claims have yet to be assessed and finalised. In the Company's Statement of Intent issued to the shareholders earlier in the year, preliminary estimates were that a further \$200m of material damage claims would be settled over and above the insurance proceeds recognised at 30 June 2017 in relation to Port infrastructure amounts. Until the insurance claim process is finalised it is not possible to reliably estimate the value of the contingent asset.

Full provision has been made for insurance claims on the commercial properties with the exception of the Coldstore and F1F2 note 12

24 Subsequent events

No dividend was declared post balance date by WRC Holdings (2016: Nil).

On 29 September 2017, the Board of Directors of WRC Holdings extended the term loan to Ports Investments Limited to be repaid on 28 October 2038.

WRC Holdings Limited
Notes to the Financial Statements
For the year ended 30 June 2017
(continued)

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.

With the exception of the matter relating to the disposal of Ganz Mavag and extension of the intercompany loan to Port Investments Limited as described above, 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.

Financials statements will be authorised for issue by the Board of Directors on 25 October 2017.

25 Correction of error

The CentrePort Group have undertaken a detailed review of the calculations relating to the valuation of the SPV Mandatory Convertible Notes Derivative. An error has been identified relating to how the calculation of the equity option is reflected in the financial statements.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	30 June 2016 \$'000	Increase / (Decrease) \$'000	30 June 2016 Restated \$'000	30 June 2015 \$'000	Increase / (Decrease) \$'000	30 June 2015 Restated \$'000
Statement of Financial Position (extract)						
Investment in Joint Ventures	90,990	(11,779)	79,211	83,728	(5,486)	78,242
Net assets	510,945	(11,779)	499,166	422,547	(5,486)	417,061
Retained earnings	177,381	(9,058)	168,323	202,457	(4,219)	198,238
Non-controlling interest	49,179	(2,721)	46,458	46,617	(1,267)	45,350
Total equity	(510,945)	11,779	(499,166)	(422,547)	(5,486)	417,061
	30 June 2016 \$'000	Increase / (Decrease) \$'000	2016 Restated \$'000	30 June 2015 \$'000	Increase / (Decrease) \$'000	2015 Restated \$'000
Statement of Comprehensive Revenue and expense (extract)						
Share of associate profit accounted for using the equity method	13,315	(6,293)	7,022	7,564	(5,486)	2,078
(Deficit) / surplus before taxation and subvention payment	(5,038)	(6,293)	(11,331)	(2,421)	(5,486)	(7,907)
Income tax benefit / (expense)	(12,326)	-	(12,326)	3,141	-	3,141
Net (deficit) / surplus after tax for the year	(17,364)	(6,293)	(23,657)	720	(5,486)	(4,766)

WRC Holdings Limited
Statement of compliance and responsibility
As at 30 June 2017

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 except for:

The Board has not complied with section 67(1) of the Local Government Act 2002 which requires the annual report to be completed within three months after the end of the financial year.

CentrePort suffered the affects from the November 2016 Kaikorua earthquakes. As a result completing the financial statement has been delayed due to discussions with Insurers, engineers and valuers required at arriving at the estimates in their financial statements.

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.

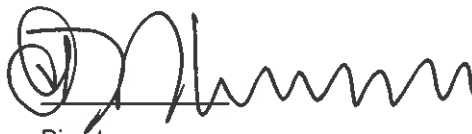
The Directors and management of the Company accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

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 2017 fairly reflect the financial position and operations of the Company.



Director

October 25, 2017



Director

October 25, 2017



Chief Financial Officer

October 25, 2017

Auditors' report

To the shareholders of WRC Holdings Limited