WRC Holdings Limited
Financial Statements
for the year ended 30 June 2021

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Directors	Appointed
P M Lamason (Chairperson)	18 November 2010
R W G Blakeley	29 November 2016
N O Leggett	12 October 2017
H M Mexted	24 June 2019
N S W Ward	24 June 2019
G Hughes	20 November 2019
C Kirk-Burnnand	20 November 2019

Registered office

100 Cuba Street
Te Aro, Wellington 6011

Auditor

Clint Ramoo
Audit New Zealand
on behalf of the Auditor-General

Bankers

ANZ Bank New Zealand Ltd

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Directors' report

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 2021.

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 subsidiary 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.

Greater Wellington Rail Limited owns and manages 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.

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 region in which the Group operates.

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

Contribute to the desired outcome of the Wellington Regional Strategy.

The WRC Holdings Group largely met all its objectives as set out in the 2020/21 Statement of Intent and Wellington Regional Council's Long Term Plan 2018-2028 with the exception of some of its financial performance targets and a number of CentrePorts performance targets, mostly attributable to the ongoing impacts of COVID-19 pandemic.

The nature and scope of activities undertaken by the group are consistent with those set in the 2020/21 Statement of Intent and Wellington Regional Council's Long Term Plan.

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Statement of Service Performance

FINANCIAL PERFORMANCE TARGETS

Financial WRCH group results compared with Statement of Intent (SOI) Targets:

	Actual 2021 $'000	Target 2021 $'000	Actual 2020 $'000
Net (deficit) / surplus before tax	**(13,734)**	**(10,110)**	147,045
Net (deficit) / surplus after tax	**(37,413)**	**(7,570)**	143,288
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**11,295**	**20,312**	171,149
Return on Shareholder's equity	**(5.50)%**	**(1.10)%**	22.90%
Return on total assets	**(1.70)%**	**(0.90)%**	15.70%
Shareholders equity to total assets	**68.50%**	**70.20%**	68.90%
Dividends	**14,600**	**2,900**	2,800

The above 2021 financial results are calculated on the same basis as previous year.

Net (deficit) / surplus before tax

The Group posted net deficit before tax of $13.7 million (2020: surplus of $147 million) compared to a budget deficit before tax of $10.1 million for the year.

The main drivers for the variance are ongoing impacts from COVID-19 in CentrePort with decreased container volumes, no cruise ships and low aviation fuel volumes from a significant reduction in passenger numbers.

Net (deficit) / surplus after tax

The net deficit after tax was $37.4 million (2020: surplus of $143.3 million), compared to a budget deficit after tax of $7.6 million. The main driver for this is the tax implication on the insurance settlement payments received in prior years.

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

EBITDA was $11.3 million (2020: $171.1 million) compared to a budget of $20.3 million.

This variance is related to the same factors as in the net deficit before tax 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 2021, return on total assets was (1.7%) (2020: 15.7%) compared to a budget of (0.9%).

The variance to target is mainly due to lower EBIT.

Return on shareholder's equity

This target is calculated as net surplus/ (deficit) after tax as a percentage of average shareholder equity (excluding minority interest). As at 30 June 2021, the return on shareholders' equity was (5.5%) (2020: 22.9%), compared to a budget of (1.1%).

The variance to target is mainly due to higher net deficit after tax as noted above.

Shareholder's equity to total assets

As at 30 June 2021 the ratio of shareholders equity to total assets stood at 68.5% (2020: 68.9%) and compared to a budget of 70.2%.

Dividends paid (or payable to the shareholders)

A dividend of $14.6 million was paid to the shareholders during the year (2020: 2.8 million).

WRC HOLDINGS - OPERATIONAL PERFORMANCE MEASURES

WRC Holdings to act as a responsible and inquiring Shareholder.

The Board has close liaison with its partners, Wellington Regional Council who manage the Rail operations in conjunction with Transdev Wellington and CentrePort who manage the Port operations. These bodies regularly report and meet with the respective Boards of the WRC Holdings Limited Group.

WRC Holdings meet at least six times a year to review the operational and financial position of the companies and Group.

WRC Holdings Board met a scheduled ten times during the year.

WRC Holdings Group to report quarterly on the financial performance of WRC Holdings Group to Council.

The results of WRC Holdings are reported quarterly to Council and are supplemented with a presentation from the Chair of WRC Holdings.

WRC Holdings Group to present quarterly on WRC Holding Group activities to Council and to keep Council informed of significant matters as they occur.

WRC Holdings Chair has reported to Council quarterly over the course of the last financial year.

Statement of Intent and Annual Accounts are delivered in compliance with statutory requirements.

The draft statement of intent and the final statement of intent were delivered to Council as required by the Local Government Act also the annual financial statements were provided in accordance with section 67 (1) of the Local Government Act.

FINANCIAL PERFORMANCE MEASURES - WRC Holdings Parent

The financial performance targets for WRC Holdings parent are close to budget. The return on assets is slightly lower than budget due to higher asset base on amalgamation of PIL into WRCHL. The Shareholders funds to total assets, is higher due to larger share calls required by Greater Wellington Rail to fund its capital expenditure programme related to timing of this expenditure.

ENVIRONMENT PERFORMANCE TARGETS

Planned Target

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

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

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

Ensure regulatory compliance.

Actual Performance

The Group has complied with all of its resource consents.

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

CentrePort has achieved most of its environmental targets as set down in its Statement of Corporate Intent 2020/21, for the year ended 30 June 2021. Some of the objectives are still in progress or have been 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.

PERFORMANCE TARGETS - CentrePort Limited

	Actual 2021 $'000	**Target 2021 $'000**	Actual 2020 $'000
CentrePort Limited			
Net profit before tax	**10,800**	**13,200**	19,700
Net profit after tax (1)	**8,600**	**9,500**	14,700
Return on total assets (2)	**1.4%**	**1.8%**	3.8%
Return on equity (3)	**1.9%**	**2.2%**	3.9%
Dividend as a % of underlying net profit after tax before earthquake impacts and changes in fair value	**58.3%**	**52.6%**	34.1%
Dividend	**20,000**	**5,000**	5,000

(1) Underlying net profit after tax before earthquake impacts and changes in fair value includes abnormal items.
(2) Return on assets = earnings before interest, tax, earthquake impacts, and changes in fair value divided by the average opening and closing non current assets.
(3) Return on equity = underlying net profit after tax before earthquake impacts and changes in fair value divided by the average opening and closing total equity.
The Statement of Corporate Intent (SCI) targets are from the SCI for the financial years ended 30 June 2021 to 2023 which was approved for issue in June 2020.

Reporting Against Statement of Intent

People

Objective	Performance Measure	Performance		
		FY20 Actual	FY21 Target	FY21 Q4
Create a zero harm workplace	Lost Time Injury Frequency (per 200,000 hours worked)	2.7	≤ 3.2	2.18
	Lost Time Injury Severity (per 200,000 hours worked)	8.0	≤ 8	17.75
	bSafe Reports (incident and near miss reports)	1,059	> 1,000	201 (875 YTD)
	Site Inspections	261	> 120	100 (255 YTD)
	Safety Interactions	302	> 120	50 (219 YTD)
	Random Drug and Alcohol Testing (as a percentage of total employees)	> 40% outside COVID level 4 lockdown	> 40%	44 people tested (162 YTD)
	Comply with the AS/NZS 4801: Occupational Health and Safety Management Systems as per AS/NZS 4801 audit	Compliance with AS/NZS 4801	Compliance with AS/NZS 4801	Compliance with AS/NZS 4801
	Policy reviewed annually against CentrePort's objectives and external benchmarks	Compliance with Policy	Compliance with Policy	Compliance with Policy
Being a respected and responsible employer	Conduct annual employee engagement survey and follow up actions	Engagement survey conducted	Engagement survey conducted	Survey conducted in June

ENVIRONMENT

Objective	Performance Measure	Performance		
		FY20 Actual	FY21 Target	FY21 Q4
Minimise impact on the environment	Environmental Management System	Toitū Envirocare Gold https://www.toitu.co.nz/about-us/brandstatus (Formerly EnviroMark)	Maintain Toitū Envirocare Gold https://www.toitu.co.nz/about-us/brandstatus	Toitū Envirocare Gold status maintained.
	System: consistency with ISO14001		Audit and third stage certification complete	Planning for Toitū Envirocare Diamond (ISO14001) audit.
	Complaints: number of complaints from external stakeholders about environmental performance	Five	Zero	Four complaints for the year. MSC Wieland Multiple noise complaints from the public lodged with CentrePort and local authorities regarding low frequency sound from the container ship the MSC Wieland. CentrePort Communication Manager controlled the response to media and complainants. MSC Wieland is on the NZ Noisy Ship Register, and is no longer on the schedule to visit New Zealand Ports. Mobile Plant Noise Complaint Complaint from community regarding reversing and movement alarms on mobile plant. Engagement meetings held with Regulator (WCC) to understand the risk associated with mobile plant and requirement for acoustic warnings. A review programme is underway for alternative acoustic warning options on mobile plant, including removing them completely. Direct engagement with complainant continues. Container Berth Reinstatement Noise Complaint Complaint from resident within Oriental Bay regarding the marine piling noise. CPL Engagement and Communication Manager has liaised with complainant. Including an open invitation to visit the site and view the plant and project to gain a further understanding of the source of sound. Complainant has agreed to visit if the sound continues to be an issue – no contact for some months. Dust Complaint Dust complaint lodged by a member of public via the GWRC Compliance Team. Complaint related to the operation of the gravel crushing operation at Kaiwharawhara Point. Immediate controls improved with additional sprinklers and mobile water

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				cart deployed. Longer term controls of pre-emptive monitoring and polymering has been implemented. GWRC Compliance department have verified the success of the controls and have liaised directly with complainant.
	Solid waste to landfill (quantity) including the potential for third party waste	Significant quantities of construction and demolition waste diverted from landfill to be reused or recycled.	Waste minimization integrated into Regeneration	Infrastructure projects have provided the opportunity to recover, store, and recycle engineering standard material for use within the port regeneration programme. Diversion of waste from the regional landfill post the 2016 Kaikoura Earthquake (in tonnes): Concrete 110,000 Asphalt 11,000 Steel 3,000 Other 8,000
Operate in a sustainable manner	Greenhouse gas emissions (quantity CO_2equivalent) Emissions measured in accordance with ISO 14064 –1:2006 and the Greenhouse Gas Protocol	Emission reduction opportunities are progressing (EV's, electric bomb carts, electrical upgrades including diesel generator replacement).	Develop an Emissions Management Plan to support GWRC's goal to be carbon neutral by 2030	Emissions Plan completed. Emission reduction activities progressing, including EVs, LED lighting, electrical substation and lighting upgrades. Investigation into carbon offset options continuing. FY20 emissions inventory certified through GWRC as a Scope 3 item.
Ensure regulatory compliance	Compliance breaches	Zero	Zero	Zero

Customer

Objective	Performance Measure	Performance		
		FY20 Actual	FY21 Target	FY21 Q4
Maintain compliance with the International Ship & Port Security (ISPS) Code	Compliance is maintained, all incidents are reported to MNZ and NZ Customs Service, and learning reviews are undertaken and recommendations implemented	Compliance with the ISPS maintained	Compliance maintained as per annual audit	Compliance with the ISPS maintained One breach for the period reported to NZ Customs and Maritime New Zealand, the breach related to a stowaway attempt. All learnings have been shared and corrective actions are in progress. Five reportable breaches in total for the year.
Maintain compliance with the Port & Harbour Safety Code (PHSC)	The requirements of the PHSC continue to be met. Risk assessments of new tasks or reviews post incident completed.	No breaches of the PHSC	No breaches of the PHSC All new task risk assessments and post incident reviews complete	Marine Operations consistent with the Port and Harbour Safety Code.

Investment

Objective	Performance Measure	Performance		
		FY20 Actual	FY21 Target	FY21 Q4
Financial performance measures	Group EBITDA	$22.8m	$16.1m	$13.7m
	Underlying Net Profit After Tax ('Underlying NPAT')	$14.7m	$9.5m	$8.6m
	Group EBIT Return on Assets	3.8%	1.8%	1.4%
	Underlying NPAT Return on Group Equity	3.9%	2.2%	1.9%
	Gearing Ratio	n/a	0.7%	1.7%
	Dividend	$5.0m	$5.0m	$20.0m (incl. $15m Special Dividend)
	Dividend Distribution as a percentage of Underlying NPAT	34.1%	52.6%	58.3% (excl. $15m Special Dividend)
Planning supports the appropriate regeneration and growth of the port	Base line Portfolio Investment Case completed with Priorities Identified	Updated Portfolio Investment Plan and implementation of critical Priority 1 and Priority 2 projects. Priority Projects as per the Portfolio Investment Plan and SCI.	Updated Portfolio Investment Plan and implementation of all Priority 1 and further progress on Priority 2 projects. Projects as per the Portfolio Investment Plan and SCI.	Receipt of endorsement from Shareholders to our Regeneration Investment Summary which links to the overall Portfolio Investment Summary provided in 2020. Significant progress on Priority 1 projects, including Container Berth Reinstatement, Ground Resilience Programme, Seaview Wharf Renewal and Interislander SUT development.
Infrastructure restoration and challenge	Necessary works to enable MTOP growth in logs (3M JAS) and containers (150k TEU), minimise current operational restrictions and projects to enable long term regeneration works.	MTOP Ferry Works and return of rail onto port complete	Container and Logs Works MTOP Works Complete	Land development works progressing on former BNZ land based on agreements reached with Bluebridge. Completion delayed until Q1 FY22 based on Bluebridge requirements. Inner Port land for port operations continuing with completion of demolition of CPL House and commencement of land development works. Investigating use of land off-port at various locations. This will enable relocation of business services to enable regeneration, along with long term options for growth (e.g. distribution hubs). Continued issues with material supply affecting project progress.
	Implementation of natural hazard resilience programme which is developed to mitigate business continuity risks and provide incremental resilience improvement	Identified log and container works (i.e. bomb cart implementation) are all being executed or completed	Major works commenced at Seaview Wharf and ground resilience works completed for Thorndon Container Wharf	Ground resilience programme continuing with next stage commenced and has been accelerated relative to previous assumptions. AQ resilience planning works complete. Detailed execution planning to commence Q1 FY22. 2-3 year programme of works. Electric Internal Movement Vehicles (IMV) fully commissioned into operations.

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				Electrical resilience in execution on-going. Seaview Wharf Renewal consent lodge with regulators in April 2021 and targeting receipt of consent end of July 2021. Interisland Single User Terminal wharf concept design complete.
	Development of key major project initiatives.	Consent obtained and works commenced on Seaview Wharf Renewal and Container Berth Extension	Consents obtained for CityPort Inner Harbour Development. Extended Container Berth Operational.	Physical works continues to progress for the Container Berth Reinstatement with the project currently on programme and budget with operations still targeting end of 2021. This is dependent on material supply. Seaview Wharf Renewal resource consent application lodged just after the end of Q3 and expecting consent from regulators in July 2021. Site works targeted to commence end of 2021. Overall budget continues to be under pressure due to market conditions and constraints. KiwiRail SUT: concept design for wharf and seawall complete. Progressing to next detailed stage following announcement of ship purchase by KiwiRail at the end of June 2021. KiwiRail driving consenting process. Multi-User Ferry Precinct: Master Planning process underway. CPL leading on behalf of Future Ports Forum. Inner Harbour Precinct: developing brief for Master Plan development with key stakeholders.

Stakeholders & Community

Objective	Performance Measure	Performance		
		FY20 Actual	FY21 Target	FY21 Q4
Building awareness of the value and contribution of CentrePort's activities to the regional economy	Targeted engagement with key stakeholders directly and via digital channels	Face-to-face meetings with key stakeholders/influencers Regular stakeholder updates via digital channels	Face-to-face meetings with key stakeholders/influencers Regular stakeholder updates via digital channels	The CEO met a range of stakeholders including central/local government representatives and customers. Ten updates on LinkedIn including video and other digital collateral on CentrePort activities.
Community integration	CentrePort supports and participates in community initiatives	Community engagement partnerships across economic, community and environmental programmes	Community engagement partnerships across economic, community and environmental programmes	Continued sponsorship partnerships. • Sustainable Coastlines. • ExportNZ Wellington Export Awards. • Whanganui Chamber of Commerce Business Awards. • Wellington Regional Children's Hospital • Wellington City Mission. • Hearing House/Southern Cochlear Implant programme. • RPNYC Youth Regatta • Hikitea Crane restoration
Consulting employees, stakeholders and the community, as appropriate	Engage stakeholders / community on Regeneration Plan	Regeneration Plan engagement plan finalised and implemented	Engagement with stakeholders as per Regeneration Plan and engagement plan	Staff engagement survey conducted. Staff training survey conducted. Continued engagement along with fuel industry representatives (led by Z) on community engagement strategy for Seaview Wharf and pipeline project. Established joint website and met with various stakeholder

				groups.
Engage with stakeholders on environmental matters	Environmental Consultative Committee meeting frequency	At least 3 per annum	At least 3 per annum	3 meetings held during the year. Meetings held in Q1, Q3 and Q4.
	Iwi relationships	We are currently exploring with mana whenua iwi the basis of a long-term relationship. Through this process we will identify together how we will engage on an ongoing basis	Confirm meeting framework with mana whenua, and explore the ability to reflect tikanga Maori in our Board appointments	Positive contact with iwi maintained, though scheduled Matariki event cancelled due to Covid Alert Level 2 restrictions. Awaiting appointment of new CEO at Port Nicholson Block Settlement Trust mid 2021 before developing an engagement framework with Taranaki Whanui. Relationship agreement with iwi for Multi User Ferry Precinct in development.
Strengthen relationships by working collaboratively with key stakeholders	Strategy meetings with CentrePort's Board and Port Investments Ltd's Board	At least 2 meetings per annum to discuss key strategic issues including the regeneration of CentrePort, and key decisions under CentrePort's Constitution	At least 2 meetings per annum to discuss key strategic issues including the regeneration of CentrePort, and key decisions under CentrePort's Constitution	Held quarterly meetings with GWRC. Additional meetings held to discuss Ferry developments and the establishment of a captive insurance company.

Directors Information

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

P M Lamason (Chairperson)
R W G Blakeley
N O Leggett
H M Mexted
N S W Ward
G. Hughes
C Kirk-Burnnand

Remuneration of Directors of the Parent Company

Details of Directors' remuneration are as follows:

	2021 $'000	2020 $'000
N O Leggett	18	14
H M Mexted	14	14
N S W Ward	14	14
	46	42

Relevant entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2021:

P M Lamason (Chairperson)
Wellington Regional Council (Councillor)

Hutt Valley District Health Board (Member)

Greater Wellington Rail Limited (Director)

R W G Blakeley
Wellington Regional Council (Councillor)

Greater Wellington Rail Limited (Director)

Capital and Coast District Health Board (Member)

Transpower New Zealand Limited (Director)

N O Leggett
Greater Wellington Rail Limited (Director)

Hutt Mana Charitable Trust (Trustee)

Road Transport Forum (Chief Executive)

Bulterant Trust (Trustee & Beneficiary)

H M Mexted

Greater Wellington Rail Limited (Director)

New Zealand Walking Access Commission (Board Member)

Glenora Limited (Shareholder)

N S W Ward

Greater Wellington Rail Limited (Director)

St John of God Hauora Trust (Board Member)

McIntosh Ward & Associates Limited (Shareholder & Director)

Hokoroa North Forest GP Limited (Shareholder)

Youth Hostel Association New Zealand (Board Member)

G Hughes

Hamana Trustees Limited (Shareholder & Director)

Rostrevor Roof Limited (Shareholder & Director)

Collingwood Rentals Limited (Shareholder & Director)

Irico Limited (Shareholder)

Greater Wellington Rail Limited (Director)

Collingwood Promotions Limited (Shareholder & Director)

C Kirk-Burnnand

Autostop Holdings Limited (Shareholder & Director)

Autostop Tasman Limited (Director)

Autostop Caspian Limited (Director)

Autostop Baltic Limited (Director)

Autostop Pacific Limited (Director)

Autostop Arctic Limited (Director)

Autostop Group Limited (Director)

Autostop Motors Limited (Director)

Patricia Mcdonnell Trustee Company Limited (Shareholder & Director)

PI North Limited (Director)

PI Ross Limited (Director)

Porirua Foundation Administration Limited (Director)

Property Logic Limited (Shareholder & 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.

Remuneration of Employees

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

	Number of current employees
$100,001 - $110,000	**19**
$110,001 - $120,000	**25**
$120,001 - $130,000	**17**
$130,001 - $140,000	**13**
$140,001 - $150,000	**13**
$150,001 - $160,000	**6**
$160,001 - $170,000	**2**
$170,001 - $180,000	**1**
$180,001 - $190,000	**3**
$190,001 - $200,000	**2**
$200,001 - $210,000	**1**
$220,001 - $230,000	**2**
$230,001 - $240,000	**3**
$240,001 - $250,000	**3**
$250,001 - $260,000	**2**
$260,001 - $270,000	**3**
$290,001 - $300,000	**2**
$300,001 - $310,000	**1**
$330,001 - $800,000	**5**
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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 Clint Ramoo of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors

Director

December 9, 2021

Director

December 9, 2021

WRC Holdings Limited
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2021

	Notes	Group 2021 $'000	2020 $'000
REVENUE			
Operating revenue	3	**100,360**	104,375
Finance income	3	**4,031**	5,265
Total revenue	3	**104,391**	109,640
Earthquake related costs:			
Insurance deductible expenses	4	-	(3,456)
Impairment of assets	4	-	(818)
Earthquake costs	4	-	(975)
Net insurance recovery - associates	4	-	172,500
Gain / (loss) in fair value movements:			
Net gain on disposal of property, plant and equipment		**1,067**	-
Fair value of investment properties - CentrePort	3	**(1,998)**	108
EXPENDITURE			
Expenses, excluding finance costs	3	**(116,657)**	(129,039)
Finance costs	3	**(536)**	(916)
(Deficit) / surplus before taxation and subvention payment		**(13,733)**	147,044
Income tax benefit / (expense)	5	**(23,679)**	(3,757)
Profit from continuing operations		**(37,412)**	143,287
Net (deficit) / surplus after tax for the year		**(37,412)**	143,287
Other comprehensive revenue and expenditure			
Increase/(Decrease) in value of CentrePort port land after tax		**7,010**	5,918
Adjustment to Fair value for Land resilience Impact after Tax		**7,899**	(7,119)
		14,909	(1,201)
Other comprehensive income for the year, net of tax		**14,909**	(1,201)
Total comprehensive income for the year		**(22,503)**	142,086
Total comprehensive revenue and expenditure for the year is attributable to:			
Owner of WRC Holdings Limited		**(21,858)**	105,798
Non-controlling interest		**(645)**	36,288
		(22,503)	142,086

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2021

Group	Notes	Attributable to equity holders of the Company				
		Contributed Equity $'000	Revaluation Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
Balance as at 1 July 2019		269,145	54,754	242,026	70,034	635,959
Total Comprehensive Income for the Year		-	-	106,724	36,566	143,290
Contributed Equity		17,000	-	-	-	17,000
Increase / (Decrease) in Revaluation reserve		-	(924)	-	(277)	(1,201)
Dividends		-	-	(2,800)	(1,154)	(3,954)
Balance as at 30 June 2020	17	286,145	53,830	345,950	105,169	791,094

Group	Notes	Attributable to equity holders of the Company				
		Share Capital $'000	Revaluation Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
Balance as at 1 July 2020		286,145	53,830	345,950	105,169	791,094
Reclassifications*		-	2,017	(2,017)	-	-
Total Comprehensive Income for the Year		-	-	(33,305)	(4,107)	(37,412)
Contributed Equity		16,400	-	-	-	16,400
Increase / (Decrease) in Revaluation reserve		-	11,528	-	3,463	14,991
Dividends		-	-	(14,600)	(4,615)	(19,215)
Balance as at 30 June 2021	17	**302,545**	**67,375**	**296,028**	**99,910**	**765,862**

* There has been a reclassification of $2.0m between Revaluation Reserves and Retained Earnings of CentrePort at 1 July 2019 to correct for revaluations that have previously been incorrectly included in Other Comprehensive Income instead of Profit from Continuing Operations.

	Notes	Group 2021 $'000	Group 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	15	**192,117**	250,055
Trade and other receivables	6	**10,277**	16,357
Other financial assets	20	**19,902**	19,726
Inventories	7	**2,914**	2,726
Current accounts - GWRC		**6,740**	7,568
Total current assets		**231,950**	296,432
Non-current assets			
Property, plant and equipment	8	**671,095**	609,371
Intangible assets	9	**3,191**	3,463
Loans and Advances to Joint Venture		**7,753**	-
Investment properties	11	**55,493**	59,903
Deferred tax assets	13	**19,084**	16,887
Total non-current assets		**756,616**	689,624
Total assets		**988,566**	986,056
LIABILITIES			
Current liabilities			
Trade and other payables		**15,096**	15,696
Interest bearing liabilities	14	**51,500**	-
Taxation payable	5	**2,198**	526
Provisions for employee entitlements	16	**3,176**	5,508
Total current liabilities		**71,970**	21,730
Non-current liabilities			
Interest bearing liabilities	14	**-**	44,000
Provision for employee entitlements	16	**167**	357
Deferred tax liabilities	13	**150,567**	128,873
Total non-current liabilities		**150,734**	173,230
Total liabilities		**222,704**	194,960
Net assets		**765,862**	791,096
EQUITY			
Contributed equity	17	**302,545**	286,145
Reserves		**67,376**	53,830
Retained earnings		**296,033**	345,952
Non-controlling interest	18	**99,908**	105,169
Total equity		**765,862**	791,096

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

Director
December 9, 2021

Director
December 9, 2021

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Cash Flows
For the year ended 30 June 2021

	Notes	Group 2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		**81,371**	84,014
Dividend income received		**-**	-
Rental income		**6,642**	6,439
Interest income received		**5,516**	3,592
Business Interruption - loss of rents		**-**	15,502
Subsidies		**13,531**	12,954
Other income		**-**	268
		107,060	122,769
Cash was disbursed to:			
Payments to suppliers and employees		**(92,173)**	(99,958)
Business Interruption - temporary work		**-**	-
Income taxation paid		**(2,509)**	(3,518)
Interest expense paid		**(455)**	(730)
Temporary work and demolition costs		**-**	(5,843)
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	**11,923**	12,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of Property, Plant & Equipment		**4,899**	-
Earthquake insurance payment received		**-**	206,998
Proceeds from matured investments		**19,726**	-
Cash was applied to:			
Purchase of Property, Plant & Equipment		**(69,720)**	(46,659)
Development of Investment Properties		**(2,797)**	(5,239)
Purchase of subsidiary company shares		**-**	-
Loan to Joint Venture		**(7,680)**	-
Other transfers		**-**	(145)
Purchase of investments		**(19,902)**	(19,726)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(75,474)**	135,229
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from borrowings		**7,500**	-
Issue of ordinary shares		**16,400**	17,000
Cash was applied to:			
Movement in current account		**928**	(2,669)
Dividends paid to shareholders		**(19,215)**	(3,954)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**5,613**	10,377
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		**(57,938)**	158,326
Add opening cash, cash equivalents / (overdraft) brought forward		**250,055**	91,729
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END	15	**192,117**	250,055

The accompanying notes form part of these financial statements.

1 Statement of compliance

The "Group" consists of WRC Holdings Limited, its wholly owned subsidiaries, 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 100 Cuba Street, Te Aro, 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 itself 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, 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.

The Financial Statements were authorised for issue by WRC Holdings Limited on 9 December 2021.

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 Greater Wellington Rail Limited and CentrePort Limited. CentrePort Limited is designated as a profit-oriented entity and 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.

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:

Income tax calculations (note 5)

Revenue recognition relating to insurance revenue from the Port insurance claim (note 3).

Fair value of Port land (note 8)

Impairment of Port assets held at cost (note 8)

Recognition of deferred tax assets and liabilities (note 13)

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Ongoing COVID-19 related impacts

Cost saving measures were implemented to manage the impact of COVID-19. These included purchasing leased equipment, better management of contractor costs, and increased flexibility of cargo labour costs.

As an essential service provider, CentrePort is able to operate during all COVID-19 Alert Levels with appropriate additional public health measures in place.

CentrePort will continue to focus on being agile and ready to adapt to further pandemic-related challenges, as well as looking into opportunities to create long-term value.

The outlook for the next three years is less certain due to the ongoing impacts of the pandemic. Container volumes will be impacted by the general economic environment and disruptions to supply chains. CentrePort is predicting cruise ships will not return for the 2021/22 season, however expected log export volumes over the next few years remains strong irrespective of COVID-19 impacts.

GW Rail is classified as an essential service provider and has been largely unaffected by the disruptions caused by the pandemic. As the entity's operations are not customer facing the impact of the lockdown continues to be limited.

(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 variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee

The results, assets, and liabilities of joint ventures are incorporated into these financial statements using the equity method.

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

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

(d) Statement of cash flow

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

(i) Cash and cash equivalents comprise cash on hand, cash in banks and investment 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 comprise the principal revenue-producing activities of the group and other activities that are not considered to be investing or financing activities.

(e) Goods and services tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised 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.

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

New Standards not yet adopted

The following are the significant new or revised standards or interpretations in issue that are not yet required to be adopted by entities preparing financial statements for periods ending 30 June 2021.

PBE IPSAS 40 PBE Combinations - effective 1 January 2021

PBE IPSAS 40 provides guidance on accounting for acquisitions and amalgamations. The Standard requires a combination to be classified as either an acquisition or an amalgamation based on control and the economic substance of the combination.

Amendment to PBE IPSAS 2 Cash Flow Statement - effective 1 January 2021

An amendment to PBE IPSAS 2 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment will result in additional disclosures. The company will not early adopt this amendment.

PBE IPSAS 41 Financial instruments - effective 1 January 2022

PBE IPSAS 41 will replace both PBE IPSAS 29 and PBE IFRS 9. Simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Applies a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing.

PBE FRS 48 Service Performance Reporting - effective 1 January 2022

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements. The company has not yet determined how application of PBE FRS 48 will affect its statement of performance. It does not plan to early adopt the standard.

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3 Operating surplus / (deficit) before subvention and taxation

Accounting policies

Applicable accounting policies are explained below:

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

The specific recognition criteria described below must also be met before revenue is recognised.

(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

Dividends are recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

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

(iv) Grant revenue

Revenues from non-exchange grants is recognised when the Group obtains control of the transferred asset (cash, goods, services, or property), and:

- It is probable that the economic benefits or service potential related to the asset will flow to the Group and can be measured reliably and
- The transfer is free from conditions that require the asset to be refunded or returned to the grantor if the conditions are not fulfilled.

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

	Group	
	2021	2020
	$'000	$'000
Other revenue		
Rental income (exchange revenue)	**24,958**	25,885
Operating Revenue	**57,902**	62,763
CentrePort income (exchange revenue)	**3,969**	2,773
Operational grants from GWRC (non-exchange revenue)	**13,531**	12,954
	100,360	104,375
Fair value movements and other gains and losses:		
Net Gain/(Loss) on Sale of Property plant and equipment	**1,067**	-
Fair value (loss) gain on CentrePort investment property	**(1,998)**	108
	(931)	108
Expenses, excluding finance costs		
Amortisation	**259**	271
Employee benefits expense	**24,631**	30,205
Depreciation	**28,265**	28,395
Audit services	**304**	280
Directors fees and expenses	**599**	554
Management fees	**155**	209
Repairs and maintenance	**18,109**	18,948
Rates and Insurance	**7,582**	10,072
Other operating expenses	**35,261**	37,991
Tax services	**79**	75
Consultants- legal	**6**	8
Rental and lease expenses	**1,407**	2,031
	116,657	129,039
Finance costs and income		
Interest costs	**(536)**	(916)
Interest received	**4,031**	5,265
Net finance (costs)/ income	**3,495**	4,349
Operating surplus/(deficit) before subvention, taxation and earthquake related costs	**13,734**	(20,207)

4 Earthquake Related Items

Kaikoura Earthquake

A 7.8 magnitude earthquake struck on 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. 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.

CentrePort Ltd Insurance Claim

In previous years, the Group reached full and final settlements on its insurance claims for a total of $484.5m. All insurance proceeds have been received by the Group.

The following table shows the full and final settlement of the insurance claim for the Group:

	Total Settlement 2017 to 2020				
	Material Damage $'000	**Business Interruption $'000**	**Total $'000**	**2021 $'000**	2020 $'000
Loss of gross profits and rents	-	39,586	39,586	-	15,502
Temporary works expenditure and demolition costs	9,958	67,195	77,153	-	-
Material damage	394,349	-	394,349	-	183,580
Discount for Early Settlement	-	(13,082)	(13,082)	-	(13,082)
Deductible	(10,944)	(2,556)	(13,500)	-	(13,500)
Total insurance income	393,363	91,143	484,506	-	172,500

Whilst the insurance claim has been settled, there remains two areas of significant uncertainty which are outlined as follows:

Port Land

An adjustment of $43.6m (2020: $60.0m) to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. This adjustment is discussed in note 8.

Tax impact

For information on the material assumptions and sensitivities related to the impact of the earthquake on income tax please refer to note 5.

5 Taxation

Accounting policy

The tax expense for the period comprises current and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Recognition and measurement

Tax is recognised on the income statement, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity. In this case, the tax is recognised in the statement of comprehensive income or directly in equity, respectively.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate. This is then adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and by unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that they will be utilised.

Key Assumptions

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 the asset repairs or reinstatement.

CentrePort Limited, a subsidiary of the Group, is in the process of obtaining a binding ruling from Inland Revenue to confirm the key assumptions underpinning the tax treatment of the insurance proceeds. These assumptions include the allocation of the settlement proceeds to the different claim components, the allocation of the material damage claim to the various damaged assets, the classification of specific assets to be treated as disposals for tax purposes and the application of the roll over relief provisions.

The most material estimate is an allocation of $174.0 million (2020: $268.1 million) of the insurance proceeds to assets that are likely to be deemed to be disposed of for tax purposes.

The estimate has changed from 2020 as a result of Inland Revenue indicating in the most recent discussions that it disagrees with the classification of specific assets deemed to be disposed and that roll over relief is unlikely to apply. The impact of this has resulted in an additional income tax expense of $23.5 million in the prior period adjustment below.

	Group	
	2021 $'000	2020 $'000
(a) Income tax recognised in profit or loss		
Tax expense / (benefit) comprises:		
Current tax expense / (income)	**4,179**	1,223
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	**(605)**	5,758
Adjustments recognised in current period in relation to deferred tax in prior periods	**20,102**	(3,224)
Tax loss recognised	**-**	-
Total current tax	**23,676**	3,757
Total Tax (benefit) / expense	**23,676**	3,757
Income Tax Receivable / (Payable)		
Opening Balance	**(526)**	(2,821)
Income tax paid / (refunded)	**2,506**	3,518
Prior Year Adjustment	**(4,178)**	1,107
Current Year Tax (Liability) / Benefit	**-**	(2,329)
	(2,198)	(525)

5 Taxation (continued)

	Group 2021 $'000	Group 2020 $'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	(13,733)	147,044
	(13,733)	147,044
Income tax (benefit) / expense calculated at 28%	**(3,845)**	41,173
Non-deductible expenses	**4,389**	3,984
Non-assessable income	**(4,552)**	(34,075)
Land and buildings reclassification	**-**	-
(Increase) / decrease in value of developed investment property land	**633**	500
Non-assessable increase / (decrease) in value of land for development	**-**	-
Tax effect of imputation credits	**-**	-
Temporary differences	**-**	836
Recognition of deferred tax on buildings	**(565)**	(4,377)
Tax effect of unimputed portion of intercompany dividend	**1,592**	-
Unused tax losses and tax offsets not recognised	**-**	12
Change in use of assets	**-**	(1,072)
Permanent differences	**1,743**	-
	(605)	6,981
(Over) / under provision of income tax in previous period	**24,282**	(3,224)
Income tax expense	**23,677**	3,757

(c) Imputation credit account balances

	Group 2021 $'000	Group 2020 $'000
Balance at end of the period	**14,142**	17,261

6 Trade & other receivables

Accounting policy

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

	Group	
	2021	2020
	$'000	$'000
Net trade receivables		
Trade debtors	**8,398**	9,285
Provision for doubtful debts	**-**	(100)
	8,398	9,185
Other receivables	**1,510**	3,369
Prepayments	**369**	3,803
	10,277	16,357

Provision for doubtful debts

	Group	
	2021	2020
	$'000	$'000
Opening balance	**100**	-
Amounts written off during the year	**-**	-
Increased in allowance recognised in statement of comprehensive income	**-**	100
Closing balance	**100**	100

The average credit period on sales is 30 days.

Included in trade receivables are debtors with a carrying amount of $1.37 million, which are past due at 30 June 2021 (2020: $2.95 million). The Group believes that the amounts (net of doubtful debt provision) are recoverable.

7 Current Assets - Inventory

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cost of crushed concrete and spare parts are calculated using the weighted average cost method. Spare parts are held for maintenance purposes only.

No inventories are held as security for liabilities as at 30 June 2021 (2020: Nil).

	Group	
	2021	2020
	$'000	$'000
Kaiwharawhara crushed concrete	**1,506**	1,225
Spares stock control	**1,299**	1,419
Fuel and stock control	**108**	82
	2,913	2,726

8 Property, plant and equipment

Accounting policy

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 fair value at the date of revaluation less any subsequent impairment losses. Fair value is determined by reference to the highest and best use of land as determined by the independent valuer. Operational Port Land was independently valued by Colliers International, a registered valuer, on 30 June 2021. Due to the outbreak of the Coronavirus (COVID-19) there is a material valuation uncertainty regarding the assessed value of the Operational Port Land.

The Group gets a formal valuation every 3 to 5 years. When there is no formal valuation performed the fair value of Operational Port Land is reviewed at the end of each reporting period to ensure that the carrying value of land is not materially different from its fair value. Any revaluation increase of Operational Port Land is recognised in Other Comprehensive Income and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent it reverses a previous revaluation decrease for the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is credited to the Statement of Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation.

Property, Plant & Equipment (other than Operational Port Land) is recorded at cost less accumulated depreciation and impairment. Cost represents the value of the consideration 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 Property, Plant & Equipment is depreciated, excluding land.

8 Property, plant and equipment (continued)

The Board and management have undertaken a process to determine what constitutes Investment Property and what constitutes Property, Plant & Equipment. There is an element of judgement in this. There is a developed Port plan, and those items of land that are considered integral to the operations of the Port have been included in Operational Port Land. Land held specifically for capital appreciation, an undetermined purpose, or to derive rental income has been classed as Investment Property. In the current year the site of the former Statistics building has been reclassified from Investment Property to Property, Plant & Equipment as at 30 June 2021 as a result of a change in use of the site to owner occupied car parking.

GWRL public transport rail station infrastructural assets and rolling stock were independently valued by John Freeman, FPINZ, TechRICS, MACostE, Registered Plant and Machinery Valuer, a Director of Bayley's Valuations Limited as at 30 June 2019 using Optimised Depreciated Replacement Cost (ODRC) methodology.

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

- Buildings	5 to 50 years
- Wharves and paving	2 to 100 years
- Cranes and floating equipment	4 to 30 years
- Plant, vehicles and equipment	2 to 20 years
- Rail rolling stock	5 to 30 years
- Rail Infrastructure	3 to 150 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.

8 Property, plant and equipment (continued)

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Rolling stock $'000	Transport infrastructur e $'000	Work in Progress $'000	Total $'000
Cost	53,391	22,550	69,276	58,754	17,119	365,325	91,878	14,366	692,659
Accumulated depreciation	-	(15,735)	(51,255)	(26,655)	(10,874)	-	-	-	(104,519)
Valuation	53,391	6,815	18,021	32,099	6,245	365,325	91,878	14,366	588,140
Net book amount									
Opening net book amount	53,391	6,815	18,021	32,099	6,245	365,325	91,878	14,366	588,140
Additions	5,318	-	-	-	-	-	-	22,701	28,019
Transfers	1,912	937	1,204	743	2,685	-	3,683	4,653	15,817
Disposals / written off	-	-	(14)	-	(5)	-	-	-	(19)
Reclassification	3,000	5,300	-	32	(36)	-	-	-	8,296
Revaluation gain / (loss)	5,918	-	-	-	-	-	-	-	5,918
Impairment	-	(1,199)	-	-	-	-	-	-	(1,199)
Depreciation charge	-	(1,286)	(1,205)	(3,742)	(1,332)	(16,645)	(4,181)	-	(28,391)
Depreciation retired	-	-	-	(94)	-	-	-	-	(94)
Provision for Resilience	(7,119)	-	-	-	-	-	-	-	(7,119)
Transfers	62,420	10,567	18,006	29,038	7,557	348,680	91,380	41,720	609,368
Closing net book amount									
Cost	122,420	36,057	70,466	59,529	21,204	365,325	95,561	41,721	843,322
Valuation	(60,000)	-	-	-	-	-	-	-	(60,000)
Accumulated depreciation	-	(25,489)	(52,459)	(30,491)	(13,646)	(16,645)	(4,181)	-	(173,951)
At 30 June 2020	62,420	10,568	18,007	29,038	7,558	348,680	91,380	41,721	609,371

8 Property, plant and equipment (continued)

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Rolling stock $'000	Transport infrastructure $'000	Work in Progress $'000	Total $'000
Transfer to investment property									
Opening net book amount	62,420	10,568	18,006	29,038	7,558	348,680	91,380	41,721	609,371
Additions	11,197	1,103	-	-	-	-	-	45,545	57,845
Transfers from work in progress	-	141	18,660	2,332	15,180	10,469	12,409	(42,533)	16,658
Disposals / written off	(2,200)	(16)	(42)	(1,470)	(258)	-	(53)	-	(4,039)
Reclassification	3,102	-	-	-	-	-	-	1,769	4,871
Revaluation gain / (loss)	6,747	-	-	-	-	-	-	-	6,747
Impairment	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(877)	(2,036)	(2,864)	(1,632)	(16,645)	(4,205)	-	(28,259)
Depreciation retired	-	-	-	-	-	-	-	-	-
Provision for Resilience	7,899	-	-	-	-	-	-	-	-
Closing net book amount	89,166	10,918	34,589	27,036	20,848	342,504	99,531	46,502	671,093
As at 30 June 2021									
Cost or Valuation	132,754	21,730	119,112	60,013	33,683	375,795	107,719	46,502	907,679
Accumulated impairment/ Resilience provision	(43,588)	-	-	-	-	-	-	-	(53,959)
Accumulated depreciation	-	(10,812)	(84,523)	(32,978)	(12,835)	(33,290)	(8,186)	-	(182,625)
Net book amount	89,166	10,918	34,589	27,035	20,848	342,505	99,533	46,502	671,095

8 Property, plant and equipment (continued)

Valuation Approach for Fixed Assets measured at Fair Value

Operational Port Land has been valued in accordance to the relevant Valuation Guidance and PBE IPSAS 17 Property Plant and Equipment. Operational Port Land was valued on 30 June 2021 by independent registered valuers of the firm Colliers International.

Operational Port Land comprises Industrial Zoned Land and Other Port Land (2020: Industrial Zoned Land, Commercial Zoned Land and Other Port Land) and the fair values have been determined in accordance with International Valuation Standards and Australia and New Zealand Valuation and Property Standards NZVTIP 2 - Valuations for Real Property, Plant & Equipment for Use in New Zealand Financial Reports and PBE IPSAS 17 Property, Plant and Equipment.

Operational Port Land

(a) Industrial Zoned Land

The fair value of Industrial Zoned Land is on a vacant basis, reflecting the land in its current state, however ignoring any and all operational buildings, structures and improvements involved in the day to day operation of port related activities. Industrial Zoned Land is made up of Freehold land and Land leased out to third parties ("Leasehold Land") as part of port operations.

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.

Each leasehold parcel of land is valued using a Capitalised Net Rental approach, 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. Significant 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; and
- 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 per square metre 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.

Other key assumptions underlying the valuation are set out below:

- It is assumed that CentrePort will erect a structural sea wall along the reclamation edge to ensure that all sites offer appropriate stability for commercial development. All costs associated with the sea wall are to be borne by CentrePort and have been excluded from the valuer's assessed value. This has been taken into account in the fair value as noted in the "Operational Port Land Resilience" adjustment below.
- All interim income generated from the vacant sites has been disregarded. This income does help offset operating expenses and holding costs however many of the 'vacant' land sales referenced to value the subject land also similarly have existing income pending redevelopment.

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

8 Property, plant and equipment (continued)

Industrial Zoned Land	Assessed Value $'000	Valuation approach	Key valuation assumptions	Valuation Impact
Freehold Land	$97.3m (2020: $88.1m)	Direct Sales Comparison approach	Weighted average land value - the rate per sqm applied to the subject property. This ranges from $180psqm to $1,500psqm	+-5% $4.9m (2020:+/- 5% $4.4m)
Leasehold Land	$7.4m (2020: $6,6m)	Capitalised Net Rental approach	Weighted average land value - the rate per sqm applied to the subject property. This ranges from $1,100psqm to $1,350psqm (2020: $50psqm to $1,350psqm)	+-5% $0.4m (2020:+/- 5% $0.3m)
Assessed Value	**$104.7m (2020: $94.7m)**			
Provision for Land Resilience	($43.6m) (2020: ($60m))	Cost estimates	Estimated cost of completing land resilience work.	+-15% $6.5m (2020: +-15% $9.0m)
Total Fair Value	**$61.1m (2020: $34.7m)**			

Operational Port Land Resilience
An adjustment of $43.6m has been made to the fair value of Operational Port Land at 30 June 2021 (2020: $60.0m) torecognise the resilience work that needed to be undertaken to support the land and achieve the assessed value determined by Colliers International in their independent valuation. The resilience works costs are estimated with reference to the costs for remediation works already undertaken for part of the operational port land and third party cost estimates. $10.3m of remediation works were completed during the year, and $1.8m of works previously undertaken were reclassified to Property, Plant and Equipment. The land resilience provision was decreased by $7.9m for the revised estimate of the cost to complete the remediation works.

There is a high level of uncertainty attached to the level of adjustment to be recognised against the port land resilience. This uncertainty includes the appropriate level of resilience required for each area of land, the range of potential technical solutions available to provide the desired level of resilience, and the cost of each potential solution.

(b) Other Port Land

The fair value of Industrial Zoned Land is on a vacant basis, reflecting the land in its current state, however ignoring any and all operational buildings, structures and improvements involved in the day to day operation of port related activities. Industrial Zoned Land is made up of Freehold land and Land leased out to third parties ("Leasehold Land") as part of port operations.

8 Property, plant and equipment (continued)

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 including road frontage, exposure to vehicles, allowable height, and density of use.
- the current state of the Wellington and wider New Zealand economy
- the current state of Wellington property markets including the office, industrial, large format retail, residential

Each leasehold parcel of land is valued using a Capitalised Net Rental approach, 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. Significant 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; and
- 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.

Other key assumptions underlying the valuation are set out below:

- It is assumed that CentrePort will erect a structural sea wall along the reclamation edge to ensure that all sites offer appropriate stability for commercial development. All costs associated with the sea wall are to be borne by CentrePort and have been excluded from the valuer's assessed value. This has been taken into account in the fair value as noted in the "Operational Port Land Resilience" adjustment below.
- All interim income generated from the vacant sites has been disregarded. This income does help offset operating expenses and holding costs however many of the 'vacant' land sales referenced to value the subject land also similarly has existing income pending redevelopment.

8 Property, plant and equipment (continued)

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

Other Port Land	Assessed Value	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Leasehold Land	$22.5m	Capitalised Net Market Rental	Weighted average land value - the rate per sqm applied to the subject property. This ranges from $125psqm to $600psqm	+-5% $1.1m
			Lessors interest yield - A rental percentage applied to the land value to arrive at current market ground rent. This ranges from 5.5% to 6.0%	- 0.5% $2.1m + 0.5% -$1.7m
Leasehold Land	$3.0m	Market Capitalisation	Market capitalisation rate - the rate of return determined through analysis of comparable, market related sales transactions, which is applied to a property's sustainable net income to derive value. This is set at 9.0%	- 0.5% $0.2m + 0.5% -$0.2m
		Discounted Cashflow	Discount rate - the rate of return used to determine the present value of future cash flows. The rate used was 9.5%	- 0.5% $0.1m + 0.5% -$0.1m

(c) 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 2019 using Optimised Depreciated Replacement Cost (ODRC) methodology.

9 Intangible assets

Accounting policy

(i) Computer software
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.

The amortisation expense is included in operating expenses in the statement of comprehensive revenue and expenditure.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

(ii) Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

9 Intangible assets (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Determining the recoverable amount for the port operations cash generating unit

Significant capital expenditure was incurred in the current year in relation to the regeneration programme which is expected to continue for several years in the future. The increase in the fixed assets of the port operations cash generating unit (CGU) increases the risk that the net assets of the CGU (including the balance of goodwill) may be higher than its recoverable amount.

To assess the port operations cash generating unit including goodwill for impairment, the recoverable amount was determined through applying the fair value less cost of disposal method. The fair value is determined through the income approach, in which the estimated future cash flows over the next 30 years are discounted to a present value.

An impairment assessment was calculated for the port operations cash generating unit and it was concluded that there was no impairment to recognise. The recoverable amount was calculated based on two scenarios. The difference between the recoverable amount calculated under the lower cargo volume scenario and the carrying value of the CGU is $15m.

The key assumptions in the impairment model and related sensitivity are as follows:

Assumption	Notes	**Value of assumption**	**% Change in assumption**	**$ value impact of change in assumption on the valuation model ($m)**
Weighed average cost of capital (discount rate)		6.4%	0.4%	-$45+$54m
Terminal growth rate		1.8%	0.2%	+$8m-$7m
Indexation			0.2%	+$20m-$19m
Revenue throughout forecast period			0.5%	+$81m-$81m
Forecasted Capital Expenditure throughout forecast period			0.5%	-$25m+$25m

Whilst not included in the key assumptions table the following other key assumptions are also included in the model:
- Forecasted sales volumes and prices for containers, logs, fuel, and cruise ships
- Cost of disposal of the CGU
- Operating costs of the CGU

Group	**Goodwill $'000**	**Computer software $'000**	**Total $'000**
Cost	2,675	4,254	6,929
Accumulated amortisation and impairment	-	(3,851)	(3,851)
Valuation	2,675	403	3,078
Year ended 30 June 2020			
Opening net book amount	2,675	403	3,078
Transfer from WIP	-	643	643
Disposals	-	(4)	(4)
Reclassification	-	4	4
Amortisation charge	-	(271)	(271)
Closing net book amount	2,675	775	3,450
Closing net book amount			
Cost	2,675	4,925	7,600
Accumulated amortisation and impairment	-	(4,123)	(4,123)
At 30 June 2020	2,675	802	3,477

9 Intangible assets (continued)

Group	Goodwill $'000	Computer software $'000	Total $'000
Year ended 30 June 2021			
Opening net book amount	2,675	789	3,464
Additions	-	14	14
Transfers from WIP	-	48	48
Disposals	-	(72)	(72)
Amortisation	-	(263)	(263)
Cost	2,675	516	3,191
Accumulated amortisation and impairment			
Net book amount	2,675	3,250	5,925
Accumulated amortisation and impairment	-	(2,734)	(2,734)
Net book amount	2,675	516	3,191

10 Investments in subsidiaries

Accounting policy

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.

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the Group 2021	2020
Greater Wellington Rail Limited	Rail rolling stock owner	New Zealand	**100.0%**	100.0%
Wellington Port Coldstores Limited	Cold Storage	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%
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%
Harbour Quays A1 Limited**	Commercial rental property	New Zealand	**- %**	76.9%
Harbour Quays F1F2 Limited**	Commercial rental property	New Zealand	**-**	76.9%
CentrePort Captive Insurance Limited***		New Zealand	**76.9%**	-

*During the year ended 30 June 2021, CentrePort Property Management Limited and Harbour Quays Property Limited were both removed from the Companies Register.

**During the year ended 30 June 2021, Harbour Quays A1 Limited and Harbour Quays F1F2 Limited were both amalgamated into CentrePort Properties Limited.

***With the approval of the Board and Shareholders, CentrePort Limited established CentrePort Captive Insurance Limited. The company was created to more effectively manage risks and costs of CentrePort's asset base. CentrePort Captive Insurance Limited was incorporated on 27 May 2021 with $1m of capital. CentrePort is in the process of applying to the Reserve Bank of New Zealand for a licence under The Insurance (Prudential Supervision) Act 2010 for this company to operate as a captive insurance company.

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11 Investment Properties

Investment Property

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

The Group has the following classes of Investment Property:

- Developed Investment Property
- Land Available for Development
- Lessors Interests

Valuation Approach

Investment properties are measured at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date.

The fair value of investment properties is based on the highest and best use for commercial property.

	Group	
	2021 $'000	2020 $'000
Developed Investment Properties	**26,000**	29,901
Land Available for Development	**29,493**	30,003
	55,493	59,904
Developed Investment Properties		
Developed Investment Property as at 1 July	**29,901**	37,371
Consolidated from SPV's	-	-
Additions	-	1,450
Impairments and Fair Value Change (earthquake)	-	-
Increase / (decrease) in fair value	**(3,901)**	(620)
Transfer/ Reclassifications	-	(8,300)
	26,000	29,901
Land Available for Development	**30,003**	25,082
Consolidated from SPV's	-	-
Additions	**2,458**	4,192
Impairments and Fair Value Change (earthquake)	-	-
Increase / (decrease) in fair value	**1,903**	729
Transfer/ Reclassifications	**(4,871)**	-
	29,493	30,003

Valuation Approach

(a)Developed Investment Property

The Developed Investment Property consists of the Customhouse building (2020: the Customhouse building). This property is leased to a third party.

Developed investment Property is valued using a combination of the following approaches:

- Contract Income approach - This is where fair value is determined by directly capitalising the passing income. This method is effective where income is receivable from a secure tenant, however this is less effective where the current contract rent varies from the assessed market rent due to various factors.

- Market Capitalisation approach - This is where fair value is determined by capitalising the property's market rental at an appropriate yield, and then an allowance is made for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term.
- Discounted Cashflow approach - This is where fair value is determined by a present value of the projected cashflow of the property over a 10 year period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

(b)Land Available for Development

Land Available for Development consists of the Harbour Quays Development Land and the site of the former BNZ Building (2020: Harbour Quays Development Land, former BNZ Building, and the former Statistics House).

Land Available for Development is valued using a Direct Sales Comparison approach - This is where the subject property is compared with recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing features. In carrying out this comparison, consideration is given to sales of similar property within the wider Wellington region, along with adjustments for factors such as the size, shape, location, access to services including road frontage, exposure to vehicles, allowable height, and density of use of the property.

Other key assumptions underlying the valuation are set out below:

- It is assumed that all 'normal' site services are fully reinstated, and no allowance has been made for any remedial or repair work required to the site or surrounding land and infrastructure.
- The valuation is based on the current Masterplan and the provision of several development sites across the precinct. Any alteration to the Masterplan or development sites may have an impact on the valuation.
- There are limitations to the soil along the reclamation edge and ground improvements are needed across the sites to mitigate the risk of lateral spread. This was factored into the valuation and the adopted values reflect the requirement for additional sub terrain site strengthening costs likely to be incurred as part of any new development.
- The valuation assumed that CentrePort will erect a structural sea wall along the reclamation edge to ensure that all sites offer appropriate stability for commercial development. All costs associated with the sea wall are assumed to be borne by CentrePort and have been excluded from Collier's valuation. This has been estimated and deducted from the assessed value to measure the fair value in these financial statements.
- Due to low market confidence in the precinct (particularly for office uses); market assurance needs to be regained. This is perceived to be difficult should CentrePort decide against a strengthened seawall and elect for a compromised alternative solution.
- All interim income generated from the vacant sites has been disregarded. This income does help offset operating expenses and holding costs, however, many of the 'vacant' land sales referenced to value the subject land, also similarly have existing income pending redevelopment.

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.

Class of Property	**Fair Value $'000**	**Valuation Approach**	**Significant Input**	**Range of significant input**
Developed Investment Property	$26.0m (2020: $29.9m)	Contract Income	Capitalisation rate - the rate of return determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value. The rate selected was 8.5% (2020:8.75%)	-0.25% $0.75m + 0.25% $1.0m (2020: +- 0.125% $0.5m)
		Market Capitalisation	Capitalisation rate - the rate of return determined through analysis of comparable, market related sales transactions, which is applied to a property's sustainable net income to derive value. The rate selected was 7.25% (2020: 7.75%)	+-0.25% $1.0m (2020: +- 0.125% $0.5m)
		Discounted Cashflow	Discount rate - the rate of return used to determine the present value of future cash flows. The rate selected was 8.0% (2020: 8.5%)	+-0.25% $0.54m (2020: +- 0.25% $0.5m)
Land Available for Development	$37.9m (2020: $39.6m)	Direct Sales Comparison	Weighted average land value - the rate per sqm applied to the subject property. The rates applied ranged from $120- $2,500 per sqm (2020: $100- $2,500 per sqm)	+-5.0% $1.9m (2020: +-5% $2.0m)
Assessed Value	**$63.9m (2020: $69.5m)**	Cost estimates	Estimated cost of completing works on Land Available for Development.	+-10% $0.8m (2020: +-10% $1.0m)
Cost to repair services to undeveloped sites, rebuild a seawall and complete ground improvement works	($8.4m) (2020: ($9.6m))			
Total Fair Value	**$55.5m**			

12 Joint Venture Information

Accounting policy

Interests in Joint Ventures

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

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

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

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with PBE IPSAS 26 Impairment of Cash-Generating Assets as a single asset by comparing its recoverable amount (the 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 Impairment of Cash-Generating Assets to the extent that the recoverable amount of the investment subsequently increases.

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

Nature of investment in joint ventures 2021 and 2020

Name of entity	**Principal activities**	**Proportion of interest**	
		2021	**2020**
Direct Connect Container Services Limited	Container storage and transportation	50%	50%

Summarised financial information

	2021 $'000	2020 $'000
Current		
Cash and cash equivalents	**354**	88
Other current assets (excluding cash)	**304**	120
Total current assets	**658**	208
Other current liabilities (including trade payables)	**(251)**	(149)
Total current liabilities	**(251)**	(149)
Non-current		
Non-current assets	**15,043**	87
Total non-current assets	**15,043**	87
Financial liabilities	**(16,160)**	(800)
Total non-current liabilities	**(16,160)**	(800)
Net assets	**(710)**	(654)

12 Joint Venture Information (continued)

Summarised statement of comprehensive income

	Total	
	2021	2020
	$'000	$'000
Revenue	**2,757**	1,152
Operating expenses	**(2,822)**	(1,427)
Net finance cost	**-**	-
	(65)	(275)

Reconciliation of summarised financial information

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

	Total	
	2021	2020
	$'000	$'000
Opening net assets 30 June	**(653)**	(378)
Profit/(loss) for the year	**(65)**	(275)
Gain on sale of asset	**8**	-
Closing net assets	**(710)**	(653)
Interest in joint venture	**(355)**	(327)
Applied against loan advances	**355**	327
Carrying value	**-**	-

	Group	
	2021	2020
	$'000	$'000
Share of profit / (loss) of joint ventures	**(33)**	(138)
Applied against loan advances	**33**	138
Total current assets	**-**	-

13 Deferred tax

Accounting policy

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.

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

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

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

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

Current and deferred tax 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.

Recognition and Measurement

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that they will be utilised.

	Group	
	2021	2020
	$'000	$'000
The balance comprises temporary differences attributable to:		
Tax losses	**18,500**	16,078
Temporary differences	**(149,984)**	(128,064)
Net Deferred Tax	**(131,484)**	(111,986)
Deferred tax assets	**19,084**	16,887

	Group	
	2021	2020
	$'000	$'000
Unrecognised deferred tax balances		
Tax losses	**-**	-
Unused tax credits	**-**	-
Temporary differences	**-**	-
	-	-

13 Deferred tax (continued)

Movements - Group	Investment properties $'000	Property, plant and equipment $'000	Trade and other payables $'000	Tax losses $'000	Insurance recoverable $'000	Total $'000
At 1 July 2019	(358)	(94,545)	1,576	14,169	(30,293)	(109,451)
Charged to income	358	2,147	(767)	1,909	(6,182)	(2,535)
At 30 June 2020	-	(92,398)	809	16,078	(36,475)	(111,986)

Movements - Group	Investment properties $'000	Property, plant and equipment $'000	Trade and other payables $'000	Tax losses $'000	Insurance recoverable $'000	Total $'000
At 1 July 2020	0	(92,398)	809	16,078	(36,475)	(111,986)
Charged to income	-	(8,225)	(225)	2,422	(13,470)	(19,498)
At 30 June 2021	-	(100,623)	584	18,500	(49,945)	(131,484)

14 Interest bearing liabilities

	Group 2021 $'000	2020 $'000
Current		
Borrowings	**44,000**	-
NZ Green Investment Finance	**7,500**	
Total secured current interest bearing borrowings	**51,500**	-
Non-current		
Borrowings	-	44,000
Total interest bearing liabilities	**51,500**	44,000

Loan from Greater Wellington Regional Council

WRC Holdings Limited has a loan of $44 million (2020: $44mil) received from its parent entity Wellington Regional Council. The interest rate at 30 June 2021 is 0.9225 (2020: 1.0175%) and is reset quarterly.

NZ Green Investment Finance

In June 2020 CentrePort entered into a $15.0m debt facility with New Zealand Green Investment Finance (NZGIF) to accelerate investment into low carbon projects.

The Group has drawn down $7.5m of this facility at balance date (2020: nil). The interest rate is based on BKBM (bank bill bid settlement) rate plus a margin payable on funds drawn. A commitment fee is also payable on the facility limit. The term of the facility is 12-months and was renewed on 11 June 2021. The Lender has first ranking security over all current and future assets held by the Group.

cm

15 Current assets - Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term, highly liquid investments with original maturities of three months or less.

	Group	
	2021	2020
	$'000	$'000
Cash at bank and in hand	192,117	250,055
Cash and cash equivalents	192,117	250,055

16 Employee entitlements

Accounting policy

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. 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.

CentrePort accrued for restructuring costs in its 30 June 2020 financial statements as a result of a staffing review and change process. The change process has been completed and the residual accrual has been reversed at 30 June 2021.

	Group	
	2021	2020
	$'000	$'000
Current		
Employee benefits	3,176	5,508
Non-current		
Employee benefits	167	357
Total Provisions	3,343	5,865

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. 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.

The rate used for discounting the provision for future payments is 1.8% (2020: 1.5%).

17 Equity

			Group 2021 $'000	2020 $'000
(a) Share capital				
Ordinary shares				
50,000,000 $1 shares uncalled	-	-	-	-
34,541,100 $1 shares, fully paid	-	-	**34,541**	34,541
22,170,000 $1 shares, fully paid	-	-	**22,170**	22,170
5,309,283 $1 shares fully paid	-	-	**5,309**	5,309
170,200,000 $1 shares, fully paid	-	-	**170,200**	170,200
8,000,000 $1 shares, fully paid	-	-	**8,000**	8,000
11,250,000 $1 shares, fully paid	-	-	**11,250**	11,250
6,700,000 $1 shares, fully paid	-	-	**6,700**	6,700
10,100,000 $1 shares fully paid	-	-	**10,100**	10,100
19,000,000 $1 shares, fully paid	-	-	**19,000**	17,874
3,500,000 $1 shares fully paid	-	-	**3,500**	-
12,100,000 $1 shares partly paid	-	-	**11,774**	-
Redeemable Preference Share Capital				
25,000 $1000 shares, paid to 1 cent	-	-	-	-
Total share capital	-	-	**302,544**	286,144

18 Non-controlling interest

	Group 2021 $'000	2020 $'000
Opening Balance at 01 July	**105,169**	70,034
Share of operating surplus / (deficit)	**(4,108)**	36,566
Share of dividends paid or payable	**(4,615)**	(1,154)
Share of movements in revaluation reserve	**3,463**	(277)
Balance of Non-controlling Interest at 30 June	**99,909**	105,169

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

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

	Group 2021 $'000	2020 $'000
Net (deficit) / surplus after tax	**(37,412)**	143,287
Add / (less) non-cash items:		
Depreciation	**28,264**	28,475
Amortisation	**263**	285
Impairment / written off of fixed assets	**-**	1,198
Gain on disposal of fixed asset	**(1,068)**	-
Write down / (up) of investment properties	**1,998**	(108)
Movements fair value of property plant & equipment	**263**	-
Deferred tax liability	**19,497**	2,689
Change in provision for doubtful debt	**-**	-
Add / (less) movements in working capital:		
Accounts receivable	**6,008**	(5,501)
Accounts payable	**(702)**	(1,248)
Insurance receivable	**-**	50,000
Inventory	**(187)**	(894)
Taxation - refund/payable	**1,673**	(2,295)
Employee entitlements	**(2,522)**	1,888
Add / (less) items classified as investing and financing activities:		
Accounts payable related to property, plant and equipment	**(907)**	(1,782)
Accounts payable related to investment property	**339**	-
Insurance progress payment schedule	**-**	(206,998)
Prepayments related to property plant and equipment	**(3,583)**	3,583
Other	**-**	141
Net cash inflow from operating activities	**11,924**	12,720

20 Financial instruments and risk management

Accounting policies

(1) Financial Instruments

Financial Instruments Issued by the companies

As part of normal operations, the Group is party to financial instruments with risk to meet operational needs.

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the aquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

All recognised financial assets and liabilities are subsequently measured at either amortised cost or fair value through profit or loss, depending on the classification of the financial asset or liability. The classification depends on the nature and purpose of the financial asset or liability and is determined at the time of intial recognition.

Amortised Cost

Financial assets and liabilities are classified as measured at amortised cost if the financial asset or liability is held to collect or make payment on contractual cash flows, and those cash flows are solely payments of principal and interest on the principal outstanding.

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

Estimation of Fair Value of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through satement of comprehensive revenue and expenditure', 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.

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.

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 amortised cost.

20 Financial instruments and risk management (continued)

(2) Financial risk management

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

Capital risk management

WRC Holdings 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 15 - 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 CentrePort Board and semi-annually to the WRC Holdings Group Board. All externally imposed covenants have been complied with during the period.

(a) Market risk

(i) Interest rate risk
The Group is exposed to interest rate risk through the Group's treasury investment portfolio if market interest rates decline below annual budgeted amounts.

Interest rate sensitivity

At reporting date, if interest rates had been 100 basis point higher or lower and all other variables were held constant, the Group's net profit would increase / decrease by $1,481,000 (2020: +/- $2,060,000).

Maturity profile of financial instruments

The table below summarises the Group's exposure to interest rate risk at 30 June 2021 and 30 June 2020.

Group	Weighted average effective interest rate	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	Non interest bearing	Total
30 June 2021	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Trade and other payables	-	-	-	-	-	-	15,096	15,096
Payables to employees	-	-	-	-	-	-	3,343	3,343
Debt	0.89	51,500	-	-	-	-	-	51,500
		51,500	-	-	-	-	18,439	69,939
30 June 2020	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Trade and other payables	-	-	-	-	-	-	15,696	15,696
Payables to employees	-	-	-	-	-	-	5,865	5,865
Debt	1.73	-	44,000	-	-	-	-	44,000
		-	44,000	-	-	-	21,561	65,561

(b) Credit risk

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.

Trade and other receivables include amounts that are unimpaired but considered past due as at balance date.

20 Financial instruments and risk management (continued)

Commercial Paper Investment credit risk

The group has invested in a commercial paper valued at $19.902 million (2020: $19.726 million) issued by Greater Wellington Regional Council. The Council has been rated as AA/A-1+ by Standard & Poor's in their latest ratings as at January 2021

Concentrations of credit risk

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

Currency Risk

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

As at 30 June 2021, the Group had not entered into any significant forward contracts. (2020: nil).

(c) 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 through a set off arrangement, (2020: $2 million). The bank overdraft facility of $2 million has not been utilised as at 30 June 2021 (2020: nil).

The following tables detail the groups liquidity profile based on undiscounted cash outflows at 30 June 2021 and 30 June 2020, assuming future interest cost on borrowings at 0.9225% (2020: 1.0175%).

Group	Less than One Year	1-2 Years	2-5 Years	5+ Years	Total
30 June 2021	$'000	$'000	$'000	$'000	$'000
Financial liabilities					
Trade and other payables	15,096	-	-	-	15,096
Payables to employees	3,176	167	-	-	3,343
Borrowings	51,618	-	-	-	51,618
Total	69,890	167	-	-	70,057
30 June 2020	$'000	$'000	$'000	$'000	$'000
Financial liabilities					
Trade and other payables	15,696	-	-	-	15,696
Payables to employees	5,508	357	-	-	5,865
Borrowings	448	44,149	-	-	44,597
Total	21,652	44,506	-	-	66,158

20 Financial instruments and risk management (continued)

(d) Financial instruments by category

Assets	Loans and receivables $'000	Derivatives used for hedging $'000	Total $'000
Group			
At 30 June 2021			
Cash and cash equivalents	192,117	-	192,117
Trade and other receivables	10,275	-	10,275
Current account - Wellington Regional Council	6,740	-	6,740
Other financial assets	19,902	-	19,902
Total	229,034	-	229,034
At 30 June 2020			
Cash and cash equivalents	250,055	-	250,055
Trade and other receivables	16,357	-	16,357
Current account - Wellington Regional Council	7,568	-	7,568
Other financial assets	19,726	-	19,726
Total	293,706	-	293,706

Liabilities	Financial liabilities at amortised cost $'000	Total $'000
Group		
At 30 June 2021		
Trade and other payables	15,096	15,096
Borrowings	51,500	51,500
	66,596	66,596
At 30 June 2020		
Trade and other payables	15,695	15,695
Borrowings	44,000	44,000
	59,695	59,695

21 Commitments

Capital commitments

At balance date CentrePort had entered into commitments for the acquisition of property, plant, and equipment amounting to of $21.5m (2020: $10.1m)

Greater Wellington Rail at balance date had commitments in respect of contracts for capital expenditure of $58.8 million (2020: $63.3 million). This relates to the heavy maintenance the rolling stock.

Leases

Operating Leases as a Lessee

Disclosure for Lessees

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

	Group	
	2021	2020
	$'000	$'000
Not longer than 1 Year	**223**	227
Longer than 1 Year and not longer than 5 Years	**408**	615
Longer than 5 Years	**295**	333
	926	1,175

Operating Leases as a Lessor

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

	Group 2021 $'000	2020 $'000
Not later than 1 Year	**17,914**	18,139
Later than 1 Year and not later than 5 Years	**47,467**	53,241
Later than 5 Years	**27,971**	8,133
	93,352	79,513

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 the 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.

Key management personnel compensation

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

	Group 2021 $'000	2020 $'000
Director fees	**4,152**	4,015
Total key management personnel compensation	**4,152**	4,015

The group employs 10 full time key management personnel with additional key management personnel services provided by Council employed personnel.

23 Explanation of major variances against budget- to update

Statement of comprehensive revenue and expenses	**Group Actual 2021 $'000**	Group Budget 2021 $'000
Revenue		
Operating revenue	**100,360**	92,762
Finance income	**4,031**	4,500
Share of associate profit	-	-
Gain on disposal of property, plant and equipment	**1,119**	-
Fair value movements	(3,494)	-
Total revenue	**102,016**	97,262
Expenditure		
Finance costs	**(536)**	(707)
Operational Expenditure	(115,214)	(105,958)
Surplus / (deficit) for the year before tax	**(13,734)**	(10,110)
Income tax (expense)/credit	(23,679)	2,540
Surplus / (deficit) after tax	**(37,413)**	(7,570)
Other comprehensive income	**14,909**	-
Total comprehensive income / (deficit) for the year	**(22,504)**	(7,570)

Balance sheet		
Assets	-	-
- Current	**231,949**	252,934
- Non-current	**754,419**	769,679
Total assets	**986,368**	1,022,613
Liabilities		
- Equity	**765,022**	820,480
- Current liabilities	**64,470**	19,928
- Non-current liabilities	**156,876**	182,205
Total equity and liabilities	**986,368**	1,022,613

Statement of cash flow		
Cashflows from operating activities	**11,923**	16,359
Cashflows from investing activities	**(75,474)**	(68,002)
Cashflows from financing activities	**5,613**	13,756
Net increase / (decrease) in cash, cash equivalents and bank overdraft	**(57,938)**	(37,887)
Cash and cash equivalents at the beginning of the year	**250,055**	270,970
Cash and cash equivalents at the end of the year	**192,117**	233,083

23 Explanation of major variances against budget- to update (continued)

Significant components of this variance are:

1. **Revenue and expenses**

- Operating revenue was higher than budget mainly due to CentrePort showing increased volumes in all major trades with logs seeing a strong growth in particular;
- Operational expenditure was higher than budget mainly due to increased cost of working including road bridging costs.
- Income tax expense has increased due to increased tax exposure on the insurance proceeds received in prior years.

2. **Assets and liabilities**

- Total assets were lower mainly due to increased utilisation of cash on capital spend.
- Total liabilities were higher mainly due to the increase in deferred tax liability on insurance proceeds.
- Equity was lower due to increased deficit than budgeted as a result of increased tax exposure noted above.

3. **Cash flows**

- The cash and cash equivalents are lower than budget due to increased capital spend.

24 Contingencies

The following contingent liabilities existed at 30 June 2021:

Contingent Liabilities

Statistics New Zealand issued a notice of legal proceedings 27 April 2021, with CentrePort Limited and CentrePort Properties Limited as named defendants along with Beca Limited and Dunning Thornton Consultants. The proceedings concern Statistics House which sustained damage and was subsequently demolished following the Kaikoura earthquake in November 2016. CentrePort is taking advice on these proceedings. The indicative claim against the three parties involved is $18m, CentrePort has denied any liability. This is unresolved at 30 June 2021.

During the prior reporting period a former contractor instigated a second set of proceedings against CentrePort for the alleged unlawful suspension, and then termination, of their contract in relation to a health and safety incident that occurred on the 2nd of October 2019. The total amount claimed by the contractor is approximately $1m. CentrePort has incurred costs relating to this incident that is believed to be recoverable from the contractor. The company's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been made in these financial statements as Management does not consider a present obligation exists for which an outflow of economic benefits is probable.

Contingent Asset
The parent company has uncalled capital with its owner Greater Wellington Regional Council of $46.8 million (2020: $50 million)

25 Subsequent events

On 17 August 2021, the Ministry of Health announced one new community case of COVID-19 in Auckland. The Government moved the country into alert level four effective 11.59pm 17 August 2021. There are four alert levels, with level one being the least risk of infection and four the highest. The country will remain at alert level four for at least seven days. The swift action of the Government was due to community transmission of the highly transmissible Delta variant.

As an essential service provider, CentrePort is able to operate during all COVID-19 alert levels with appropriate additional public health measures in place. Subject to CentrePort operating safely, all freight can be distributed, received, and can enter and leave the Port under alert level four. As at 25 August 2021, CentrePort does not anticipate any material impact to cargo volumes or operations.

No dividend was declared post balance date by WRC Holdings (2020: Nil).

26 Legislative compliance

The group completed its Annual report on ~~2~~ 9 December 2021 and therefore did not meet the requirements of section 67 of the Local Government Act 2002 which requires the Board of Directors to complete the Group's Annual Report within 5 months after the end of the financial year.

Compliance

The Directors and management of the Group confirm that all the statutory requirements of the Local Government Act 2002 in relation to the financial report have been complied with.

Responsibility

The Directors and management of the Group accept responsibility for the preparation of the annual financial statements and the statement of service performance and the judgements used in them.

The Directors have authority to sign these financial statements.

The Directors and management of the Group 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 Group, the annual financial statements and the statement of service performance for the year ended 30 June 2021 fairly reflect the financial position and operations of the Group.

Director	Director	Chief Financial Officer
December 9, 2021	December 9, 2021	December 9, 2021

Auditors' report

To the shareholders of WRC Holdings Limited

Independent Auditor's Report

To the readers of the WRC Holdings Limited Group's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of WRC Holdings Limited (the Group). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 19 to 60, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include the statement of accounting policies and other explanatory information; and
- the performance information of the Group on page 4.

In our opinion:

- the financial statements of the Group on pages 19 to 60:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Reporting Standards; and
- the performance information of the Group on page 4 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2021.

Our audit was completed on 9 December 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw attention to uncertainties arising from the Kaikoura earthquake on the Group. In addition, we outline the responsibilities of the Board of

Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – Uncertainties arising from the Kaikoura earthquake

Without modifying our opinion, we draw attention to Note 4 on page 28 to the financial statements, which outlines the impact of the Kaikoura earthquake on the Group. We draw specific attention to the following significant uncertainties and judgements:

Tax treatment of insurance proceeds

Note 5 on page 29 describes the key assumptions applied in the tax calculation due to the different tax rules that apply to insurance proceeds. The tax treatment of the proceeds remain uncertain because a binding ruling, to confirm the key assumptions, has not been received from Inland Revenue.

Adjustment to fair value of operational port land

Note 8 on page 37 describes that the fair value of operational port land was adjusted for the remaining resilience work required to support the land. The cost of completing the land resilience work has been estimated with reference to the cost of completed work and third party estimates and is sensitive to change.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 3, 5 to 18 and 61 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of

Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand