WRC Holdings Limited
Financial Statements
for the year ended 30 June 2019

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Directors	Appointed
S H Sharif (Retired 7 December 2018)	12 August 2015
P M Lamason (Chairperson)	18 November 2010
B H Donaldson	21 November 2013
R W G Blakeley	29 November 2016
I D McKinnon	29 November 2016
N O Leggett	12 October 2017
H M Mexted	24 June 2019
N S W Ward	24 June 2019

Registered office

Shed 39, 2 Fryatt Quay,
Pipitea, Wellington 6011

Auditor

Jacques Coetzee
Audit New Zealand
on behalf of the Auditor-General

Bankers

ANZ Bank New Zealand Ltd

The Directors have pleasure in submitting their Annual Report including the financial statements of WRC Holdings Ltd and its subsidiaries (the Group) for the year ended 30 June 2019.

Principal Activities

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

CentrePort owns and operates the Port of Wellington and related facilities at Seaview.

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

The Group's primary objectives

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

Own's 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 regions in which the Group operates.

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

The WRC Holdings Group largely met all its objectives as set out in the 2018/19 Statement of Intent and Wellington Regional Council's Long Term Plan 2018-2028 with exception of some of its financial performance targets and a number of CentrePorts performance targets, mostly attributable to the November 2016 earthquakes.

Contribute to the desired outcome of the Wellington Regional Strategy.

The nature and scope of activities undertaken by the group are consistent with those set in the 2018/19 SOI and Wellington Regional Council's LTP.

Statement of Service Performance

FINANCIAL PERFORMANCE TARGETS

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

	Actual 2019 $'000	**Target 2019 $'000**	Actual 2018 $'000
Net (deficit) / surplus before tax	**53,869**	**80,928**	23,776
Net (deficit) / surplus after tax	**53,650**	**81,562**	23,069
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**80,474**	**109,085**	60,016
Return on Shareholder's equity	**7.07%**	**16.00%**	3.08%
Return on total assets	**7.11%**	**11.34%**	5.13%
Shareholders equity to total assets	**67.50%**	**70.00%**	65.81%
Dividends	**1,800**	**1,461**	-
WRC Holdings - Parent			
Dividend distribution	**1,800**	**1,461**	-
Dividend distribution %	**100.0%**	**100%**	- %
Return on equity	**0.78%**	**0.60%**	(0.05)%
Return on assets	**1.00%**	**0.90%**	0.34%
Shareholders funds to total assets	**84.0%**	**85.2%**	83.4

The above 2019 financial results are calculated on the same basis as previous year.

Net (deficit) / surplus before tax

The Group posted net surplus before tax of $53.9 million (2018: surplus of $23.78 million) compared to a budget surplus before tax of $80.1m million for the year.

The main drivers for the variance to target are lower insurance proceeds than budgeted for CentrePort, as the overall insurance claim is still in negotiation and the costs of CentrePort redeeming the Mandatory Convertible Notes issued by the Centreport property companies.

Net (deficit) / surplus after tax

The net surplus after tax was $53.7 million (2018: surplus of $23.07 million), compared to a budget surplus after tax of $81.5 million. The variance is impacted, as in the net deficit before tax as above.

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

EBITDA was $80.1 million (2018: $60.01 million) compared to a budget of $109.1 million.

This variance is impacted 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 2019, return on total assets was 7.11% (2018: 5.13%).

The variance to target is predominately due to lower EBIT.

Return on shareholder's equity

This target is calculated as net surplus after tax as a percentage of average shareholder equity (excluding minority interest). As at 30 June 2019, the return on shareholders' equity was 7.07% (2018: 3.08%), compared to a budget of 16.0%.

The variance to target is predominately due to lower net surplus after tax as noted above.

Shareholder's equity to total assets

As at 30 June 2019 the ratio of shareholders equity to total assets stood at 67.5% (2018: 65.81%) and compared to a budget of 70%.

Dividends paid (or payable to the shareholders)

A dividend of $1.8million was paid to the shareholders during the year (2018: nil).

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, 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 seven times during the year plus had three additional meetings to discuss particular issues.

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 and return on equity are slightly higher than budget due to better returns derived from lowere interest cost from PIL. The Shareholders funds to total assets, is lower due to lower 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 Intent 2018/19, as reported in the Financial Statements of Port Investments Limited for the year ended 30 June 2019. Some of the objectives are still in progress or is being deferred.

SAFETY, SECURITY AND 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.

To provide a safe and health workplace – zero harm – through compliance with Health and safety Standards and shipping and rail codes/legislation.

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.

The Group through Centreport is in compliance with health and safety standards and with shipping codes/legislation and has workplace monitoring to measure the safety of shipping operations.

The Group through Greater Wellington Rail monitors its operators and contractors to ensure they have appropriate rail safety systems; are validly licensed as prescribed by the NZ Rail Regulator, NZ Transport Agency; and verifies their workplace compliance to the Council's Health and Safety Policies and Procedures.

Directors Information

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

S H Sharif (Retired 7 December 2018)
P M Lamason (Chairperson)
B H Donaldson
R W G Blakeley
N O Leggett
I D McKinnon
H M Mexted
N S W Ward

Remuneration of Directors of the Parent Company

Details of Directors' remuneration are as follows:

	2019 $'000	2018 $'000
S H Sharif (retired 7 December 2018)	6	11
P M Lamason (Chairperson)	-	-
P Blades (resigned)	-	-
B H Donaldson	-	-
I D McKinnon	-	-
R W G Blakeley	-	-
N O Leggett	6	5
H M Mexted	-	
	12	16

Relevant entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2019:

S H Sharif (retired)

Flirtey Limited (Director)

Coastal Oil Logistics Limited (Independent adviser)

Greater Wellington Rail Limited (Director)

Port Investments Limited (Director)

Motor Trades Association Group (Director)

Animal Control Products Limited (Director)

NZ Standards Approval Board (Member)

NZ Institute of Safety Management Inc (Member of Advisory Board)

MTA Group Investments Limited (Director)

Everest Enterprises Lmited (Director and shareholder)

P M Lamason (Chairperson)

Wellington Regional Council (Councillor)

Hutt Mana Charitable Trust (Deputy Chair and Trustee)

Hutt Valley District Health Board (Member)

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

B H Donaldson

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

R W G Blakeley

Wellington Regional Council (Councillor)

Greater Wellington Rail Limited (Director)

Port Investments Limited (Director)

Capital and Coast District Health Board (Member)

I D McKinnon

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

N O Leggett

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

NZ Alcohol Beverages Council (Executive Director)

Spark Foundation (Board Member)

Hutt Mana Charitable Trust (Trustee)

MITO Industry Training (Director)

Road Transport Forum (Chief Executive)

H M Mexted

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

New Zealand Walking Access Commission (Board Member)

Ministry of Social Development (General Manager Communications and Engagement)

N S W Ward

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

Youth Hostel Association (Director)

St John of God Hauora Trust (Board Member)

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	**25**
$110,001 - $120,000	**29**
$120,001 - $130,000	**16**
$130,001 - $140,000	**10**
$140,001 - $150,000	**4**
$150,001 - $160,000	**3**
$160,001 - $170,000	**5**
$170,001 - $180,000	**3**
$180,001 - $190,000	**1**
$190,001 - $200,000	**2**
$200,001 - $210,000	**1**
$210,001 - $220,000	**3**
$220,001 - $230,000	**4**
$240,001 - $250,000	**2**
$250,001 - $260,000	**1**
$260,001 - $270,000	**1**
$290,001 - $300,000	**2**
$320,001 - $330,000	**1**
$340,001 - $350,000	**1**
$350,001 - $360,000	**2**
$400,001 - $410,000	**1**
$650,001 - $660,000	**1**
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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 Jacques Coetzee of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors

Director

September 26, 2019

Director

September 26, 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
REVENUE					
Operating revenue	3	**102,833**	92,679	**3,030**	1,047
Share of associate profit accounted for using the equity method	12	**10,220**	22,999	**-**	-
Total revenue	3	**113,053**	115,678	**3,030**	1,047
Earthquake related costs:					
Insurance deductible expenses	4	**(24,220)**	(33,628)	**-**	-
Impairment of assets	4	**(3,271)**	(2,596)	**-**	-
Earthquake costs	4	**(2,174)**	-	**-**	-
Net insurance recovery - associates	4	**90,382**	55,583	**-**	-
Gain / (loss) in fair value movements:					
Net gain on disposal of property , plant and equipment		**(2,338)**	-	**-**	-
Loss on disposal / revaluation		**-**	(438)	**-**	-
Fair value gain on financial instruments - CentrePort		**-**	8,778	**-**	-
Fair value of investment properties - CentrePort		**1,021**	(826)	**-**	-
EXPENDITURE					
Expenses, excluding finance costs	3	**(117,843)**	(106,353)	**(142)**	(157)
Finance costs	3	**(741)**	(12,422)	**(1,084)**	(994)
(Deficit) / surplus before taxation and subvention payment		**53,869**	23,776	**1,804**	(104)
Income tax benefit / (expense)	5	**(219)**	(707)	**-**	-
Profit from continuing operations		**53,650**	23,069	**1,804**	(104)
Net (deficit) / surplus after tax for the year		**53,650**	23,069	**1,804**	(104)
Other comprehensive revenue and expenditure					
Revaluation gain/(loss) on infrastructure assets after tax		**60,262**	-	**-**	-
Deferred tax recognised in reserves		**(16,874)**	-	**-**	-
		43,388	-	**-**	-
Other comprehensive income for the year, net of tax		**43,388**	-	**-**	-
Total comprehensive income for the year		**97,038**	23,069	**1,804**	(104)
Total comprehensive revenue and expenditure for the year is attributable to:					
Owner of WRC Holdings Limited		**80,190**	14,269		
Non-controlling interest		**16,848**	8,800		
		97,038	23,069		

Statement of changes in equity

For the year ended 30 June 2019

Group	Notes	Contributed Equity $'000	Revaluation Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
		Attributable to equity holders of the Company				
Balance as at 1 July 2017		248,995	11,524	192,597	45,771	498,887
Total Comprehensive Income for the Year		-	-	14,269	8,800	23,069
Contributed Equity		7,450	-	-	-	7,450
Dividends		-	-	-	(461)	(461)
Balance as at 30 June 2018		256,445	11,524	206,866	54,110	528,945

Group	Notes	Share Capital $'000	Revaluation Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
		Attributable to equity holders of the Company				
Balance as at 1 July 2018		256,445	11,524	206,866	54,110	528,945
Total Comprehensive Income for the Year		-	-	36,802	16,848	53,650
Contributed Equity		12,700	-	-	-	12,700
Increase / (Decrease) in Revaluation reserve		-	60,262	-	-	60,262
Deferred tax on other comprehensive revenue		-	(16,874)	-	-	(16,874)
Dividends		-	-	(1,800)	(924)	(2,724)
Balance as at 30 June 2019		269,145	54,912	241,868	70,034	635,959

Parent	Notes	Share Capital $'000	Retained earnings $'000	Total equity $'000
		Attributable to equity holders of the Company		
Balance as at 1 July 2017		248,995	(31,310)	217,685
Profit or loss for the year		-	(104)	(104)
Contributed equity		7,450	-	7,450
Balance as at 30 June 2018		256,445	(31,414)	225,031

Parent	Notes	Share Capital $'000	Dividend $'000	Retained earnings $'000	Total equity $'000
		Attributable to equity holders of the Company			
Balance as at 1 July 2018		256,445	-	(31,414)	225,031
Profit or loss for the year		-	-	1,804	1,804
Contributed equity		12,700	-	-	12,700
Dividends			(1,800)		(1,800)
Balance as at 30 June 2019		269,145	(1,800)	(29,610)	237,735

WRC Holdings Limited
Statement of Financial Position
As at 30 June 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
ASSETS					
Current assets					
Cash and cash equivalents	16	**91,729**	2,313	**3**	4
Trade and other receivables	6	**11,050**	9,257	**227**	93
Inventories	7	**1,831**	1,351	**-**	-
Insurance Receivable		**50,000**	59,268	**-**	-
Current accounts - PIL		**3,564**	8,119	**628**	3,208
Current account - GWRC		**2,525**	-	**2,525**	-
Total current assets		**160,699**	80,308	**3,383**	3,305
Non-current assets					
Property, plant and equipment	8	**588,140**	533,127	**-**	-
Intangible assets	9	**3,094**	3,212	**-**	-
Investments in subsidiaries	10	**-**	-	**234,603**	221,903
Investments in joint venture	12	**(190)**	74,584	**-**	-
Advances to subsidiaries	10	**-**	-	**44,000**	44,000
Investment properties	11	**62,453**	18,180	**-**	-
Deferred tax assets	14	**15,745**	2,938	**-**	-
Total non-current assets		**669,242**	632,041	**278,603**	265,903
Total assets		**829,941**	712,349	**281,986**	269,208
LIABILITIES					
Current liabilities					
Trade and other payables		**17,037**	14,959	**251**	97
Interest bearing liabilities	15	**-**	22,040	**-**	-
Taxation payable		**2,821**	-	**-**	-
Provisions for employee entitlements	17	**3,695**	3,523	**-**	-
Current Account GWRL		**950**	-	**-**	-
Total current liabilities		**24,503**	40,522	**251**	97
Non-current liabilities					
Interest bearing liabilities	15	**44,000**	44,080	**44,000**	44,080
Provision for employee entitlements		**282**	645	**-**	-
Derivatives	21	**-**	-	**-**	-
Deferred tax liabilities	14	**125,197**	98,157	**-**	-
Total non-current liabilities		**169,479**	142,882	**44,000**	44,080
Total liabilities		**193,982**	183,404	**44,251**	44,177
Net assets		**635,959**	528,945	**237,735**	225,031
EQUITY					
Contributed equity	18	**269,145**	256,445	**269,145**	256,445
Reserves		**54,912**	11,524	**-**	-
Retained earnings		**241,868**	206,866	**(31,410)**	(31,414)
Non-controlling interest	19	**70,034**	54,110	**-**	-
Total equity		**635,959**	528,945	**237,735**	225,031

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

Director
September 26, 2019

Director
September 26, 2019

WRC Holdings Limited
Statement of Cash Flows
For the year ended 30 June 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		84,457	71,377	-	-
Dividend income received		-	500	1,900	-
Rental income		6,390	6,599	-	-
Interest income received		748	137	962	1,044
Income tax refund		-	1,535	-	-
Subsidies		11,611	12,184	-	-
Sale of inventory		-	-	-	-
		103,206	92,332	2,862	1,044
Cash was disbursed to:					
Payments to suppliers and employees		(96,185)	(76,555)	(121)	(156)
Business Interruption - temporary work		24,220	33,628	-	-
Business Interruption - loss of rents		6,622	8,477	-	-
Income taxation paid		(123)	-	-	-
Interest expense paid		(1,362)	(12,594)	(916)	(994)
Temporary work		(22,740)	(36,678)	-	-
Tax transfer from SPV's		(966)	-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	12,672	8,610	1,825	(106)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:	13				
Cash balance from Joint Venture		47,944	16,758	-	-
Proceeds from sale of Property, Plant & Equipment		459	229	-	-
Earthquake insurance payment received		68,808	16,895	-	-
Cash was applied to:					
Purchase of Property, Plant & Equipment		(21,293)	(14,730)	-	-
Development of Investment Properties		(2,636)	(2,707)	-	-
Purchase of Intangibles		-	(159)	-	-
Subsidiary company shares		-	-	(12,700)	(7,450)
Purchase of Intangibles		-	-	-	-
Acquisition of Joint Venture		-	(7,750)	-	-
Other transfers		885	(90)	-	-
Earthquake capital expenditure		(8,263)	(6,141)	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		85,904	2,305	(12,700)	(7,450)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from borrowings		-	-	-	-
Issue of ordinary shares		12,700	7,450	12,700	7,450
Cash was applied to:					
Borrowings repaid		(18,080)	(18,000)	-	-
Movement in current account		2,980	(1,848)	74	106
Dividends paid to shareholders		(2,723)	(462)	(1,900)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(5,123)	(12,860)	10,874	7,556

The accompanying notes form part of these financial statements.

Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		**93,453**	(1,945)	**(1)**	-
Add opening cash, cash equivalents / (overdraft) brought forward		**(1,724)**	221	**4**	4
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END	16	**91,729**	(1,724)	**3**	4

The accompanying notes form part of these financial statements.

1 Statement of compliance

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

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

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

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

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

The Financial Statements were authorised for issue by WRC Holdings Limited on 26 September 2019.

2 Statement of accounting policies

(a) Basis of preparation

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements with those used at 30 June 2019.

Specific accounting policies

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

(b) Critical accounting estimates and judgements

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

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

The areas involving significant estimates or judgements are:

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

Income tax calculations (note 5)

Revenue recognition relating to insurance revenue from the Port insurance claim (note 4).

Fair value of Port land (note 8)

Earthquake uncertainties in the accounting for Harbour Quays Special Purpose Vehicles (SPV's) (note 12)

Impairment of Port assets held at cost (note 8)

(c) Basis of consolidation

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

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

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) Revenue recognition

The Group's accounting policies for its revenue streams are disclosed in detail below.

(i) Revenue from Port Operations

The Group receives revenue from contracts with customers from its port operations.

Performance obligations and timing of revenue

The majority of revenue from Port Operations is from services provided by the Group to its customers including wharfage, stevedoring, and marine services. Revenue is recognised as the services are delivered over time. On partially completed contracts revenue is recognised based on the stage of completion of the service using the output method. For partially completed wharfage and stevedoring services revenue is recognised based on the quantity of goods moved across the Port out of the total required to be moved (i.e. an output method). This is considered a faithful depiction of revenue as wharfage contracts are typically for the movement of a set quantity of goods across the Port. For partially completed marine services revenue is recognised as the number of times the vessel has been brought into and out of the Port out of the required total. This is considered a faithful depiction as marine service contracts are to bring a vessel in and out of the Port a set number of times. Payment for services rendered is due upon completion of the contracted service.

Determining the transaction price

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by references to those fixed prices.

Some contracts provide customers with rebates based on volumes of goods moved across the port. Historical experience enables the Group to estimate reliably the value of rebates that will be earned and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue when rebates are provided.

Allocating amounts to performance obligations

For all contracts there is a fixed unit price for each service provided. Therefore there is no judgment involved in allocating the contract price as the contract price is the fixed price multiplied by the quantity of services provided. Where a customer orders more than one type of service the Group is able to determine the split of the total contract price between each service by reference to the services standalone selling price.

Incremental costs of obtaining and fulfilling a contract

The costs of obtaining and fulfilling a contract are recognised as an expense when incurred. These costs do not result in the recognition of a separate asset as all contracts are service contracts where revenue is recognised over time by reference to the stage of completion using the output method.

Practical expedients

Based on the above the Group will apply practical expedient B16 as it considers that its right to consideration for services performed corresponds directly with the amount of services performed by the Group to date. Therefore the Group recognises revenue at the amount to which it has a right to invoice.

(ii) **Other Revenue**

Other revenue is made up of rental income from leases that is recognised in accordance with NZ IAS 17. This is recognised on a straight-line basis over the term of the relevant lease.

(iii) **Dividend and Interest Revenue**

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

(f) Property, plant and equipment

The Group has eight classes of property, plant and equipment

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

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 last independently valued by Bayleys, a registered valuer, on 30 June 2017. The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2019.

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

Property, Plant & Equipment 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.

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

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 Bayleys 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	10 to 50 years
Wharves and paving	10 to 50 years
Cranes and floating equipment	4 to 30 years
Plant, vehicles and equipment	2 to 20 years
Rail rolling stock	5 to 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.

(g) Investment properties

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

The Group has three classes of investment properties:

Developed investment properties
Land available for development
Lessors interest

(h) Intangibles assets

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

(i) Impairment of assets

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

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

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

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

(j) Investments in subsidiaries and associates

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

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

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

(k) Joint ventures

A joint venture is an 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 Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the revenue or expenditure 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 NZ IAS 36 Impairment of 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 NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, revenue and expenditure 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.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks with less than 32 days maturity, and term deposits with greater than 32 days maturity but can be available within three months.

(m) Inventories

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 spare parts is calculated using the weighted average cost method. Spare parts are held for maintenance purposes only.

(n) Income tax

Current tax

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

Deferred tax

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

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

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

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

(o) 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.

(p) Provision for employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date when it is probable that settlement will be required and they are capable of being measured reliably. 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.

(q) Provision for dividends

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

(r) 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 intially 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

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

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

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

Offsetting Financial Instruments

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through statement 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.

Financial Risk Management Objectives

Treasury activities are reported to Board and Audit & Risk Committee.

Fair Values

The Group considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair value of derivative instruments is determined using a hierarchical basis that reflects the significance of the inputs used in making the measurements (note 2).

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.

Derivative financial instruments classified at fair value through the statement of comprehensive revenue and expenditure

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

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

(t) Foreign currency transactions

Transactions in foreign currency are converted at the rate of exchange ruling at the date of the transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these transactions are recognised in the Statement of Comprehensive Revenue and Expense.

(u) Borrowing costs capitalised

Borrowing costs are recorded at amortised cost. Borrowing costs directly attributable to capital construction are capitalised as part of the cost of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

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

(v) Standards, amendments, and interpretations effective in the current period
The Group has applied NZ IFRS 15 Revenue from Contracts with Customers for the first time for the annual reporting period commencing 1 July 2018.

NZ IFRS 15 Revenue from Contracts with Customers

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

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

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

As a result of the amendments, revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model.

However, where an impairment loss is recognised for an asset (or group of assets) that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset (or group of assets) belongs.

The amendment also clarifies, that for revalued assets, impairment losses and reversals thereof are accounted for in the same way as revaluation decreases and increases.

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

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

PBBE IPSAS 37 Joint arrangements effective date 1 January 2019

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

GWRC has not yet completed the assessment of the standard and the impact is not known.

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 2019.

NZ IFRS 16 – Leases

Effective for reporting periods beginning on or after 1 January 2019. The main changes under the standard for lessees are;

- All operating leases other than those that are short term (less than 12 months) or considered low value are required to be presented on the balance sheet.
- All leases on the balance sheet will give rise to a combination of interest expenses on the lease liability and depreciation of the right of use asset.

The impact of NZ IFRS 16 will be determined by the level of operating lease commitments greater than 12 month's duration at adoption. The companies operating lease commitments are set out in Note 22. Management is yet to assess the impact of these standards and does not expect to adopt them before their respective effective dates.

PBE IFRS 9 Financial Instruments - effective date 1 January 2021

This standard has been released in advance of IPSASB issuing a new financial instruments standard based on IFRS 9. This standard gives mixed groups the opportunity to early adopt a PBE standard that is based on the for profit standard NZ IFRS 9 on the same date that NZ IFRS 9 becomes mandatory in the for-profit sector. WRCHL has not yet assessed the impact of this standard.

(w) **Leases**

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

Group as Lessee

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

Group as Lessor

Lease Incentives

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

3 Operating surplus / (deficit) before subvention and taxation

	Group 2019 $'000	Group 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Other revenue				
Rental income (exchange revenue)	**23,450**	11,815	**-**	-
Operating Revenue	**67,579**	68,575	**-**	-
Interest (exchange revenue)	**193**	95	**1,130**	1,047
Operational grants from GWRC (non-exchange revenue)	**11,611**	12,194	**-**	-
Dividend income (exchange revenue)	**-**	-	**1,900**	-
	102,833	92,679	**3,030**	1,047
Share of profit of investments using the equity method (including earthquake costs and fair value adjustments)	**10,220**	22,999	**-**	-
	113,053	115,678	**3,030**	1,047
Fair value (loss) / gain on investment properties GW Rail	**-**	(438)	**-**	-
Fair value gain on financial instruments	**-**	8,778	**-**	-
Fair value (loss) gain on CentrePort investment property	**1,021**	(826)	**-**	-
	(1,317)	7,514	**-**	-
Expenses, excluding finance costs				
Amortisation	**167**	214	**-**	-
Employee benefits expense	**27,217**	25,225	**-**	-
Depreciation	**25,697**	23,604	**-**	-
Audit services	**402**	346	**20**	26
Directors fees and expenses	**525**	532	**12**	17
Management fees	**151**	157	**76**	77
Repairs and maintenance	**19,035**	18,489	**-**	-
Rates and Insurance	**9,307**	7,531	**7**	6
Other operating expenses	**34,139**	28,558	**2**	2
Tax services	**52**	58	**14**	11
Contracted services	**18**	-	**11**	18
Rental and lease expenses	**1,133**	1,586	**-**	-
Legal	-	53	**-**	-
Stock and other impairment	**-**	-	**-**	-
	117,843	106,353	**142**	157
Net finance costs	**741**	12,422	**1,084**	994
Operating surplus before subvention, taxation and earthquake related costs	**(6,848)**	4,417	**1,804**	(104)

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. The insurance claim process is well advanced and engineering damage assessments have been completed. However there is considerable uncertainty in relation to the final quantification for the settlement of the insurance claim. The Group is working closely with independent advisors and the insurers' assessors to progress the claim.

The Group has separate insurance policies for CentrePort and CentrePort Properties Limited.

At the time of the earthquake CentrePort had a total insured value (in relation to port infrastructure) of $600.0m for both Material Damage and Business Interruption combined. The Business Interruption covers a 36 month indemnity period. Insurance progress payments of $90.0m were received by CentrePort in the year ended 30 June 2019 (2018: $60.0m) bringing total progress payments received to 30 June 2019 to $250.0m. These payments are applied to business interruption (loss of rents and temporary works) in the first instance and secondly to material damage.

During the year ended 30 June 2019, CentrePort Properties Limited, including its associate property entities (SPVs), reached a full and final settlement on its insurance claim of $170.4m. Of this, $158.2m related to the SPVs and $12.2m related to CentrePort Properties Limited. All insurance proceeds have been received by CentrePort Properties Limited and allocated to the SPVs as set out in the settlement agreement.

Insurance and property related impacts for CentrePort and CentrePort Properties Limited are set-out below. As the SPVs were equity accounted until 31 May 2019, the impact of the earthquake in relation to the SPVs is accounted for separately as described in note 12.

The Group received $210.4m of payments in 2019 for claims on these policies of which $90m related to CentrePort progress payments and $120.4m related to the final settlement for the CentrePort Properties Limited claim.

The following table shows the net proceeds applied in the financial statements for the year ended 30 June 2019 for CentrePort and CentrePort Properties Limited:

	Material Damage $'000	Business Interruption $'000	2019 $'000	2018 $'000
Loss of gross profits and rents	-	6,622	6,622	8,477
Temporary works expenditure incurred to date	-	24,220	24,220	33,628
Material damage preliminary estimates	59,540	-	59,540	13,478
Total Insurance income in the year	59,540	30,842	90,382	55,583
Total insurance income received to date	-	-	-	-
Total Insurance Income	210,769	101,236	312,005	221,624
Less progress payments received	(160,769)	(101,236)	(262,005)	(162,356)
Receivable as at 30 June	50,000	-	50,000	59,268

Business Interruption

An estimate of the amount recoverable for CentrePort's loss of gross profits has been made for the period to 30 June 2019. The amount has been calculated based on the estimated loss of revenue and has not yet been agreed with the insurer and therefore could be subject to change in future periods. CentrePort Property Limited's loss of gross profit of $0.3m is per the final settlement.

A change to the estimated loss of revenue of + / - 10% would result in an increase / decrease in the loss of gross profits income estimate accrued of $0.6m for the current year.

Material Damage Insurance Receivable

The Group has insurance cover for damage incurred to its insured assets and infrastructure. The insurers have accepted that the damage is covered under the Group's insurance policies, however, the final claim settlement amount has not yet been agreed. As a result assumptions have been made and judgement applied in determining the insurance proceeds to be recognised for material damage.

Where the minimum amount recoverable for damage to specific port assets can be reliably estimated, it has been recorded as income. There is potential for adjustments to be made to insurance amounts recognised in prior periods (based on estimates at that time) when the claim is settled and these may be material.

There is a contingent asset in relation to the insurance claim for the Port (note 25).

Earthquake Deductible Expenditure

Under the insurance policies the Group is liable to meet a deductible amount toward the cost of repair or reinstatement of the damaged assets. The total of the deductible expenditure relating to CentrePort infrastructure is $13.5m.

Impairment of Assets

Engineering damage assessments have been completed and submitted to the insurers. In completing the damage assessments further damage arising from the earthquake has been identified resulting in a further $2.6m impairment being recognised during the year (2018: $1.9m). An impairment of $0.7m (2018: $0.6m) has been taken to investment property for higher than forecasted costs of repairs.

	2019 ***$'000***	*2018* *$'000*
Asset impairment arising out of the earthquake:		
- Estimated asset impairments relating to damaged or obsolete assets (note 8)	***2,621***	*1,996*
- Impairment and fair value write-down on investment properties (note 11) owned by Centerport Properties Ltd	***650***	*600*
	3,271	*2,596*

Port Land

An adjustment of $63m to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. 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

	Group 2019 $'000	2018 $'000	Parent 2019 $'000	2018 $'000
(a) Income tax recognised in profit or loss				
Tax expense / (benefit) comprises:				
Current tax expense / (income)	2,861	(938)	-	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(2,722)	2,000	-	-
Adjustments recognised in current period in relation to deferred tax in prior periods	80	(355)	-	-
Tax loss recognised	-	-	-	-
Total Tax (benefit) / expense	219	707	-	-
Tax (benefit) / expense is attributable to:				
Continuing operations	219	707	-	-

	Group 2019 $'000	2018 $'000	Parent 2019 $'000	2018 $'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	53,869	23,776	1,804	(104)
	53,869	23,776	1,804	(104)
Income tax (benefit) / expense calculated at 28%	15,083	6,657	505	(29)
Non-deductible expenses	4,411	3,658	-	-
Non-assessable income	(22,871)	(10,752)	(532)	-
Land and buildings reclassification	-	-	-	-
(Increase) / decrease in value of developed investment property land	(286)	274	-	-
Non-assessable increase / (decrease) in value of land for development	-	-	-	-
Tax effect of imputation credits	-	-	-	-
Temporary differences	4,280	739	-	-
Permanent differences	-	344	-	-
Tax loss offsets from or subventions paid to Group companies	-	-	-	-
Unused tax losses and tax offsets not recognised	(372)	-	27	29
	245	920	-	-
(Over) / under provision of income tax in previous period	(26)	(213)	-	-
Income tax expense	219	707	-	-
(c) Imputation credit account balances				
Balance at end of the period	17,230	14,197	547	508

(d) Tax losses not recognised

WRC Holdings have unrecognised tax losses of $590,752 (2018: $495,171) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses at 28% is $165,411 (2018: $138,648).

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

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 asset repairs or reinstatement. The most material assumption is an allocation of $59.5m (2018:$3m) of the insurance proceeds to assets that are likely to be deemed to be disposed for tax purposes, this brings the cumulative allocation of insurance proceeds to $180m (2018: $120m).

The allocation is based on the indemnity value of the key assets considered to be irrepairable as a result of the earthquake. This assumption results in non-taxable capital gains in the current year of $60m (2018: $3m) with a tax effect of $17m (2018: $1m) being the proceeds over and above original cost.

The historic tax depreciation claimed on the assets deemed to be destroyed that is likely to be recovered by Inland Revenue has been reflected as a deferred tax liability with a tax effect of $17m (2018:$17m). The remainder of the proceeds are deemed to be taxable as the related expenditure on repairs will be deductible. These estimates are based on the best information at the time of signing the accounts and the tax positions will be finalised in due course as the insurance claim is settled.

6 Trade & other receivables

	Group		Parent	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Net trade receivables				
Trade debtors	**8,667**	8,175	-	-
Provision for doubtful debts	-	(285)	-	-
	8,667	7,890	-	-
Associated entity receivable	**16**	(11)	-	-
Dividends receivable	-	-	-	-
Other receivables	**1,754**	1,079	**3**	1
Prepayments	**389**	243	-	36
Interest receivable	**224**	56	**224**	56
	11,050	9,257	**227**	93

Provision for doubtful debts

	Group		Parent	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Opening balance	**285**	23	-	-
Amounts written off during the year	**(285)**	(23)	-	-
Increased in allowance recognised in statement of comprehensive income	-	285	-	-
Closing balance	-	285	-	-

The average credit period on sales is 30 days.

Included in trade receivables are debtors with a carrying amount of $2.1 million, which are past due at 30 June 2019 (2018: $1.5 million). The Group believes that the amounts (net of doubtful debt provision) are recoverable. See (note 21)

7 Current Assets - Inventory

No inventories are held as security for liabilities as at 30 June 2019 (2018: Nil).

7 Current Assets - Inventory (continued)

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.

	Group		Parent	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Kaiwharawhara crushed concrete	**781**	-	**-**	-
Spares stock control	**933**	1,237	**-**	-
Fuel and stock control	**118**	114	**-**	-
	1,832	1,351	**-**	-

8 Property, plant and equipment

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Work in progress $'000	Rolling stock $'000	Transport infrastructure $'000	Work in Progress $'000	Total $'000
Cost	50,652	22,567	67,670	49,093	16,857	-	386,328	72,364	14,650	680,181
Accumulated depreciation	-	(15,020)	(49,727)	(24,135)	(4,220)	-	(39,851)	(10,300)	-	(143,253)
Net book amount	50,652	7,547	17,943	24,958	12,637	-	346,477	62,064	14,650	536,928
Year ended 30 June 2018										
Opening net book amount	50,652	7,547	17,943	24,958	12,637	-	346,477	62,064	14,650	536,928
Provision for resilience	(127)	-	-	-	-	-	-	-	-	(127)
Revaluation surplus	-	-	-	-	-	-	-	-	(5,906)	(5,906)
Additions	-	-	-	349	63	-	1,033	1,550	19,435	22,430
Transfers	2,889	134	120	11,620	680	-	1,274	4,514	(15,501)	5,730
Disposals / written off	(23)	(1)	-	-	(50)	-	-	-	-	(74)
Reclassification	-	-	1,252	5,442	(5,469)	-	-	-	(1,252)	(27)
Revaluation gain / (loss)	-	-	-	-	-	-	-	-	-	-
Impairment	-	(794)	(330)	-	(872)	-	-	-	-	(1,996)
Depreciation charge	-	(431)	(994)	(2,524)	(1,082)	-	(14,522)	(4,050)	-	(23,603)
Depreciation retired	-	-	-	(228)	-	-	-	-	-	(228)
Closing net book amount	53,391	6,455	17,991	39,617	5,907	-	334,262	64,078	11,426	533,127
At 30 June 2018										
Cost	53,391	21,901	68,219	65,298	-	19,526	383,920	78,429	11,426	702,110
Valuation	-	-	-	-	-	(2,775)	-	-	-	(2,775)
Accumulated depreciation	-	(15,446)	(50,228)	(25,681)	-	(10,844)	(49,658)	(14,351)	-	(166,208)
Net book amount	53,391	6,455	17,991	39,617	-	5,907	334,262	64,078	11,426	533,127

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Rolling stock $'000	Transport infrastructure $'000	Work in Progress $'000	Total $'000
Year ended 30 June 2019									
Opening net book amount	53,391	6,455	17,991	39,617	5,907	334,262	64,078	11,426	533,127
Transfer to investment property	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Additions	-	-	67	6	1,901	4,026	14,058	8,317	28,375
Transfers from work in progress	-	771	989	1,523	-	-	-	(5,377)	(2,094)
Disposals / written off	-	(66)	-	(861)	(1,452)	(1,559)	(1,486)	-	(5,424)
Reclassification	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	(2,555)	-	41,994	18,269	-	57,708
Depreciation charge	-	(345)	(1,026)	(5,254)	(111)	(13,398)	(3,041)	-	(23,175)
Temporary works depreciation	-	-	-	(377)	-	-	-	-	(377)
Closing net book amount	53,391	6,815	18,021	32,099	6,245	365,325	91,878	14,366	588,140
At 30 June 2019									
Cost	53,391	22,550	69,276	58,754	17,119	365,325	91,878	14,366	692,659
Accumulated impairment	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	(15,735)	(51,255)	(26,655)	(10,874)	-	-	-	(104,519)
Net book amount	53,391	6,815	18,021	32,099	6,245	365,325	91,878	14,366	588,140

Operational Port Land

The operational port land is measured at fair value less any allowance for impairment.

Operational Port Land was last independently valued by Bayleys, a registered valuer, on 30 June 2017. The assessed value at that time was $110.5m (which excludes $3.1m of additions during the year ended 30 June 2017 and $2.9m of additions during the year ended 30 June 2018) which was adjusted by $63.0m for estimated Operational Port Land resilience costs. The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2019.

	2019 $'000
Industrial Zoned Land	79,590
Commercial Zoned	8,832
Other Port Land	25,231
Total Operational Port Land	113,653
Provision for Resilience	(63,000)
Carrying Value Operational Port Land	50,653
Additions, Transfers, and Disposals of Port Land	2,738
Carrying Value Operational Port Land 30 June 2019	53,391

Valuation Approach Operational Port Land

The fair value of Operational Port Land has been determined in accordance with Australia and New Zealand Valuation and Property Standards, in particular Valuation Guidance Note NZVGN 1 Valuations for Use in New Zealand Financial Reports and IVS 300 Valuations for Financial Reporting and NZIFRS 13 (Fair Value Measurement)

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

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

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

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

Key assumptions underlying the valuation are set out below:

Land at Aotea Quay, the Northern Reclamation and Point Howard have been valued in their current condition.

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

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

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

Operational Port Land Resilience

An adjustment of $63m (2018: $63m) has been made to the fair value of Operational Port Land at 30 June 2019 to recognise the resilience work that needed to be undertaken to support the land. The resilience works costs are estimated with reference to the expected costs for remediation works undertaken for part of the operational port land.

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.

Planning for the works to be undertaken is underway. The adjustment to the fair value of Operational Port Land is a critical accounting estimate as the actual costs of resilience works may differ significantly from the estimate.

A 15% increase/decrease in the estimate of the cost of the works would result in a movement in the fair value of Operational Port Land of $9.5m (2018: 9.5m).

Valuation approach - operational port leasehold land

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

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

Market rental is assessed using both the:

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

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

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

Other Port land	**Fair value $'000**	**Valuation approach**	**Key valuation assumptions**	**Valuation impact**
Other port land	$25,231	Comparison to sales of industrial land in similar locations	Weighted average land value - $120 to $2,100/sqm7.00%	+/-5% ($1.3m)

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.

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

9 Intangible assets

Group	Goodwill $'000	Computer software $'000	Total $'000
Cost	2,675	612	3,287
Accumulated amortisation and impairment	-	(234)	(234)
Year ended 30 June 2019			
Opening net book amount	2,675	378	3,053
Additions	-	158	158
Amortisation charge	-	-	-
Closing net book amount	2,675	536	3,211
At 30 June 2018			
Cost	2,675	4,224	6,899
Accumulated amortisation and impairment	-	(3,687)	(3,687)
Net book amount	2,675	537	3,212

Group	Goodwill $'000	Computer software $'000	Total $'000
Year ended 30 June 2019			
Opening net book amount	2,675	537	3,212
Additions	-	2	2
Transfers from WIP	-	190	190
Disposals	-	(143)	(143)
Amortisation	-	(167)	(167)
Closing net book amount	2,675	419	3,094
At 30 June 2019			
Cost	2,675	4,271	6,946
Accumulated amortisation and impairment	-	(3,852)	(3,852)
Net book amount	2,675	419	3,094

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

10 Investments in subsidiaries

WRC Holdings hold 100% of PIL and the Group had the following subsidiaries at 30 June 2019.

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

Name	Principal activity	Place of incorporation and operation	Equity holding	
			2019	2018
Port Investments Limited	Investment management	New Zealand	**100.0%**	100.0%
Greater Wellington Rail Limited	Rail rolling stock owner	New Zealand	**100.0%**	100.0%
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%**	76.9%
CentrePort Properties Limited	Investment in special purpose vehicle	New Zealand	**76.9%**	76.9%
Harbour Quays Property Limited	Investment in special purpose vehicle	New Zealand	**76.9%**	76.9%
Harbour Quays Shed 39 Limited	Commercial rental property	New Zealand	**76.9%**	76.9%

On 20 November 2017, Harbour Quays D3 Limited and Harbour Quays C1 Limited were removed from the Companies Register. In addition, on 12 January 2018 CentrePac Limited and CentrePort Limited were amalgamated.

On 31 January 2018, CentrePort Limited purchased the remaining 50% of shares of Wellington Port Coldstores Limited from Hamstead Enterprises Limited.

	2019	2018
	$'000	$'000
Greater Wellington Rail Limited	**234,603**	221,903

WRCHL has a long term advance of $44 million to PIL. This advance is non interest bearing and does not have a fixed payment term.

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

	Group		Parent	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Developed Investment Properties	**37,323**	4,500	-	-
Land Available for Development	**24,949**	13,516	-	-
Lessors interest	**181**	164	-	-
	62,453	18,180	-	-
Developed Investment Properties				
Developed Investment Property as at 1 July	**4,500**	4,750	-	-
Consolidated from SPV's	**29,191**	-	-	-
Additions	**3,806**	201	-	-
Impairments and Fair Value Change (earthquake)	**(757)**	(600)	-	-
Increase / (decrease) in fair value	**583**	149	-	-
	37,323	4,500	-	-
Land Available for Development	**13,515**	12,022	-	-
Consolidated from SPV's	**7,682**	-	-	-
Additions	**3,224**	2,507	-	-
Impairments and Fair Value Change (earthquake)	**107**	-	-	-
Increase / (decrease) in fair value	**421**	(1,013)	-	-
	24,949	13,516	-	-
Lessors Interests				
Transfers from Property, Plant, and Equipment	**164**	127	-	-
Increase / (decrease) in fair value	**17**	37	-	-
	181	164	-	-
Investment Properties	**62,453**	18,180	-	-

Developed Investment Property - Valuation

Developed investment property consists of Shed 39, a commercial property (both building and a leasehold interest in the land upon which the building sits) leased to a third party.

The developed investment property was valued on 30 June 2019 by independent registered valuers of the firm Colliers International. The property is valued in accordance with Australian and New Zealand Property Valuation Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 – Valuation for Use in New Zealand Financial Reports and IVS 101 – 105 and 400. Following the consolidation of the SPVs (note 17) the value determined by Colliers International was $37.9m (2018: $8.1m). After allowing for impairment based on the expected costs to repair the properties, the fair value of the investment properties is $37.3m (2018: $4.5m).

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

- Market capitalisation approach – This is where fair value is determined by capitalising the property's market ground rental with reference to sales of lessors interests, and then an allowance is made for the difference between contract rent discounted until a discounted 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 period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

Land Available for Development - Valuation

Land Available for Development consists of the Harbour Quays Development Land and the sites of the former BNZ Building and the former Statistics House (2018: Harbour Quays Development Land). These were valued on 30 June 2019 by independent registered valuers of the firm Colliers International. The sites were valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Use in New Zealand Financial Reports and IVS 101-105 and 400. Following the consolidation of the SPV's (note 17) the value determined by Colliers International was $38.9m (2018: $23.4m) based on the below assumptions:

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 former BNZ Building is in the process of being deconstructed. It is assumed that this work is complete and the land is vacant. No allowances for the cost of this were included in the valuation.

Land Available for Development is valued using the 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.

After allowing for impairment based on the expected costs to repair or demolish the properties, the fair value of the investment properties is $25.0m (2018: $13.5m)

Lessors Interests - Valuation

The Lessors Interests were valued on 30 June 2019 by independent registered valuers of the firm Colliers International. The property is valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Use in New Zealand Financial Reports and IVS 101-105 and 400. The value determined by Colliers International was $0.18m (2018: $0.16m).

Lessors interest is valued using the market capitalisation approach. This is where fair value is determined by capitalising the property's market ground rental with reference to sales of lessors interests, and then an allowance made for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term.

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

	Fair Value $'000	**Valuation Approach**	**Significant Input**	**Range of significant input**
Developed Investment Property	$37,900	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	8.00% to 9.25%
Developed Investment Property	$37,900	Discounted Cashflow	Discount rate - the rate of return used to determine the present value of future cash flows	8.75% to 10%
Land Available for Development	$38,857	Direct sales comparison	Weighted average land value - the rate per sqm applied to the subject property	$100 to $2500
Lessors Interest	$181	Market Capitalisation	Lessors interest yield - A rental percentage applied to the land value to arrive at current market ground rent	6.75%

12 Aggregated Joint Venture Information

Interests in Joint Ventures

Prior to 1 June 2019 Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) were accounted for as joint ventures of the Group although the SPVs are wholly owned by CentrePort Properties Limited. The SPVs had issued Mandatory Convertible Notes (MCNs) to the Accident Compensation Corporation (ACC) which provided the ACC with joint control over the SPVs.

During the year ended 30 June 2019, the Group redeemed the MCNs issued by the SPVs to the ACC, and as a result the Group obtained full control of the SPVs from 31 May 2019. Refer to note 13 for further information on the redemption of the MCNs.

Summarised financial information for joint ventures

	Port Associates		Property Associates		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current						
Cash and cash equivalents	**60**	18	-	35,015	**60**	35,033
Insurance receivable	-	-	-	90,595	-	90,595
Other current assets (excluding cash)	**113**	156	-	440	**113**	596
Total current assets	**173**	174	-	126,050	**173**	126,224
Other current liabilities (including trade payables)	**(118)**	(126)	-	(3,079)	**(118)**	(3,205)
Total current liabilities	**(118)**	(126)	-	(3,079)	**(118)**	(3,205)
Non-current						
Non-current assets	**77**	77	-	36,608	**77**	36,685
Total non-current assets	**77**	77	-	36,608	**77**	36,685
Financial liabilities	**(510)**	-	-	(84,872)	**(510)**	(84,872)
Other liabilities	-	(370)	-	-	-	(370)
Total non-current liabilities	**(510)**	(370)	-	(84,872)	**(510)**	(85,242)
Net assets	**(378)**	(245)	-	74,707	**(378)**	74,462
Share of Net Assets	**(189)**	(123)	-	74,707	**(189)**	74,584

Summarised statements of comprehensive income

	Port Associates		Property Associates		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**1,236**	1,326	**4,362**	2,280	**5,598**	3,606
Operating expenses	**(1,336)**	(1,664)	**(3,067)**	(3,868)	**(4,403)**	(5,532)
Net finance cost	**-**	-	**(11,910)**	(5,430)	**(11,910)**	(5,430)
	(100)	(338)	**(10,615)**	(7,018)	**(10,715)**	(7,356)
Earthquake Related Items						
Costs and impairments	**-**	-	**(154)**	(8,749)	**(154)**	(8,749)
Insurance income	**-**	2,857	**21,384**	38,073	**21,384**	40,930
Post-tax profit from continuing operations	**(100)**	2,519	**10,615**	22,306	**10,515**	24,825
Income tax (expense)/ benefit	**-**	-	**(329)**	(2,068)	**(329)**	(2,068)
Prior period adjustment	**(33)**	-	**-**	-	**(33)**	-
	(133)	2,519	**10,286**	20,238	**10,153**	22,757
Fair value adjustments	**-**	-	**-**	1,500	**-**	1,500
	(133)	2,519	**10,286**	21,738	**10,153**	24,257
Share of comprehensive income	**(66)**	1,260	**10,286**	21,739	**10,220**	22,999
Dividends received from joint venture or associate	**-**	-	**-**	500	**-**	500

Reconciliation of summarised financial information

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

	Port Associates		Property Associates		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Opening net assets 30 June	**(245)**	11,858	**74,706**	53,468	**74,461**	65,326
Profit/(loss) for the year	**(133)**	2,519	**10,286**	21,738	**10,153**	24,257
SPV's	**-**	-	**(84,992)**	-	**(84,992)**	-
Transfer of ownership of net assets WPCL	**-**	(14,622)	**-**	-	**-**	(14,622)
Dividend	**-**	-	**-**	(500)	**-**	(500)
Closing net assets	**(378)**	(245)	**-**	74,706	**(378)**	74,461
Interest in joint venture	**(189)**	(122)	**-**	74,706	**(189)**	74,584
Carrying value	**(189)**	(122)	**-**	74,706	**(189)**	74,584

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

Name of entity	Principal activities	Proportion of ownership interest 2019	2018
Harbour Quays A1 Limited	Commercial rental property	**100%**	100%
Harbour Quays D4 Limited	Commercial rental property	**100%**	100%
Harbour Quays F1F2 Limited	Commercial rental property	**100%**	100%
Direct Connect Container Services Limited	Transport hubbing and logistics	**50%**	50%

*The SPV's Harbour Quays A1, Harbour Quays D4, and Harbour Quays F1F2 redeemed the MCNs issued to ACC on 31 May 2019. As a result the Group obtained full control and the SPV's have been consolidated from that date. Refer to note 17 for further detail.

	Group 2019 $'000	2018 $'000
Carrying amount at beginning of year	**74,584**	59,397
Share of profit / (loss) of joint ventures	**10,220**	22,999
Dividends from joint ventures	-	(500)
Consolidation of net assets of Wellington Port Coldstores Limited on acquisition	-	(7,312)
Transfer net assets of CentrePac Limited to wholly owned subsidiary on acquisition of remaining interest	-	-
Consolidation of net assets of SPV's on acquisition	**(84,993)**	-
Total current assets	**(189)**	74,584
Represented by:		
Harbour Quays A1 Limited	-	18,157
Harbour Quays D4 Limited	-	13,599
Harbour Quays F1F2 Limited	-	42,952
Other Joint Venture Companies	**(189)**	(124)
	(189)	74,584

Earthquake damage

The investment properties owned by the SPV companies were significantly damaged in the November 2016 earthquake. The insurance claim for the properties was settled in October 2019 for $170.4m, of which $158.2m related to the SPVs.

A summary of the SPV earthquake treatment follows.

Harbour Quays A1 Limited

The former Statistics New Zealand building sustained significant damage as a result of the Kaikoura earthquake. The land that was occupied by the building has been developed into a carpark. The total insurance claim for Harbour Quays A1 Limited was $40.3m, comprised of $4.0m for loss of rental income and $38.0m for material damage, less a deductible of $1.7m.

Harbour Quays D4 Limited

The CustomHouse property was damaged in the earthquake and damage assessments concluded that both the structural and non structural damage was relatively minor. The building was repaired and reoccupied in December 2017. The total insurance claim for Harbour Quays D4 Limited was $5.5m, comprised of $4.1m for loss of rental income and $3.0m for material damage, less a deductible of $1.6m.

Harbour Quays F1F2 Limited

The former BNZ House sustained significant damage in the earthquake and is in the process of being demolished. The total insurance claim for Harbour Quays F1F2 Limited was $112.4m, comprised of $24.0m for loss of rental income and $93.0m for material damage, less a deductible of $4.6m.

13 Redemption of Mandatory Convertable Notes

Summary of acquisition

On 10 May 2019 the Group redeemed the Mandatory Convertible Notes (MCNs) issued by Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) to the Accident Compensation Corporation (ACC) and as a result acquired the control of the SPVs on 31 May 2019.

The SPVs were previously accounted for as joint ventures although the Group held 100% of the share capital in the SPVs.

As at the acquisition-date the fair value of the equity interest in the SPVs held immediately before the acquisition amounted to $85.0m, which includes the loss recognised as a result of redeeming the MCN's of $9.7m. This loss on remeasurement of the previously held equity interest in SPVs is recognised within the share of profit/(loss) of Investments using the equity method in the statement of comprehensive income.

The control over the SPVs was obtained through the redemption of the MCN liabilities on 31 May 2019. The redemption amount was determined through a negotiation process and is deemed to be at fair value.

(a) *Assets and liabilities acquired*

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Acquisition-related costs	-
Fair Value as at 31 May 2019	
Cash and cash equivalents	47,944
Trade receivables	845
Insurance Receivables	-
Investment properties	36,873
Deferred tax assets	-
Trade payables	(312)
Income tax payable	(84)
Income in advance	(274)
Deferred tax liabilities	-
Net identifiable assets acquired	84,992
Less: non-controlling interests	-
Add: Goodwill	-
Net assets acquired	84,992

There was no goodwill recognised as a result of the step acquisition as the fair value of the net assets acquired equals the fair value of the equity interest held immediately before the acquisition and there was no intangible assets or contingent liabilities identified that were not previously recorded as part for the SPV's net assets.

13 Redemption of Mandatory Convertable Notes (continued)

(b) *Purchase consideration – cash outflow*

	$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	-
Less: Balances acquired	
Cash	47,944
Net outflow of cash – investing activities	(47,944)

(c) *Acquired receivables*

The fair value of acquired trade receivables is $0.8m. The gross contractual amount for trade receivables due is $0.8m, all of which is expected to be collectible.

(d) *Revenue and profit contribution*

The acquired businesses contributed revenues of $4.4m and net profit of $10.3m to the Group for the period from 1 July 2018 to 31 May 2019.

If the acquisition had occurred on 1 July 2018, consolidated pro-forma revenue and profit for the period ended 30 June 2019 would have been $4.7m and $11.4m respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2018, together with the consequential tax effects.

(e) *Acquisition-related costs*

Acquisition-related costs of $72k are included in administrative expenses in the Statement of Comprehensive Income and in operating cash flows in the Statement of Cash Flows.

14 Deferred tax

	Group 2019 $'000	Group 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
The balance comprises temporary differences attributable to:				
Tax losses	**14,169**	11,208	-	-
Temporary differences	**(123,620)**	(106,427)	-	-
Net Deferred Tax	**(109,451)**	(95,219)	-	-

	Group 2019 $'000	Group 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Unrecognised deferred tax balances				
Tax losses	-	-	**(165)**	(139)
Unused tax credits	-	-	-	-
Temporary differences	-	-	**(3)**	(3)
	-	-	**(168)**	(142)

Movements - Group	Investment properties $'000	Property, plant and equipment $'000	Trade and other payables $'000	Other financial liabilities $'000	Tax losses $'000	Insurance recoverable $'000	Total $'000
At 1 July 2017	251	(79,907)	3,162	2,458	16,367	(35,908)	(93,577)
Charged to income	134	2,930	(768)	(2,378)	(5,159)	3,599	(1,642)
At 30 June 2018	385	(76,977)	2,394	80	11,208	(32,309)	(95,219)

Movements - Group	Investment properties $'000	Property, plant and equipment $'000	Trade and other payables $'000	Other financial liabilities $'000	Tax losses $'000	Insurance recoverable $'000	Total $'000
Charged to income	(743)	(694)	(818)	(80)	2,961	2,016	2,642
Charged to equity	-	(16,874)	-	-	-	-	(16,874)
At 30 June 2019	(358)	(94,545)	1,576	-	14,169	(30,293)	(109,451)

15 Interest bearing liabilities

	Group 2019 $'000	Group 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Current				
Bank overdrafts	-	4,037	-	-
Bank borrowings	-	18,003	-	-
Total secured current interest bearing borrowings	-	22,040	-	-
Non-current				
Borrowings	44,000	44,080	44,000	44,080
Total non-current interest bearing liabilities	44,000	44,080	44,000	44,080
Total interest bearing liabilities	44,000	66,120	44,000	44,080

Loan to WRC Holdings Limited

Wellington Regional Council loaned $44 million (2018: $nil) to its wholly owned subsidiary WRC Holdings Limited. The interest rate at 30 June 2019 is 2.4175% (2018: n/a) and is reset quarterly.

16 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. This does not include CentrePort's overdraft balance of $nil (2018: $4.0m).

	Group		Parent	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**91,729**	2,313	**3**	4

The net cash and cash equivalents is a current asset of $91.7m (2018: $1.7m current liability).

	Group		Parent	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**91,729**	2,313	**3**	4
Bank overdraft	**-**	(4,037)	**-**	-
Cash and cash equivalents	**91,729**	(1,724)	**3**	4

17 Employee entitlements

	Group		Parent	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits	**3,695**	3,523	**-**	-
Non-current				
Employee benefits	**282**	645	**-**	-
Total Provisions	**3,977**	4,168	**-**	-

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 2.5% (2018: 2.90%).

18 Equity

	Group $'000	$'000	Parent $'000	$'000
(a) Share capital				
Ordinary shares				
34,541,100 $1 shares, fully paid	**34,541**	34,541	**34,541**	34,541
22,170,000 $1 shares, fully paid	**22,170**	22,170	**22,170**	22,170
5,309,283 $1 shares fully paid	**5,309**	5,309	**5,309**	5,309
170,200,000 $1 shares, fully paid	**170,200**	158,374	**170,200**	158,374
8,000,000 $1 shares, fully paid	**8,000**	8,000	**8,000**	8,000
11,250,000 $1 shares, fully paid	**11,250**	11,250	**11,250**	11,250
6,700,000 $1 shares, fully paid	**6,700**	6,700	**6,700**	6,700
10,100,000 $1 shares fully paid	**10,100**	10,100	**10,100**	10,100
19,000,000 $1 shares, partly paid	**874**	-	**874**	-
50,000,000 $1 shares uncalled	**-**	-	**-**	-
Redeemable Preference Share Capital				
25,000 $1000 shares, paid to 1 cent	**-**	-	**-**	-
Total share capital	**269,144**	256,444	**269,144**	256,444

19 Non-controlling interest

	Group 2019 $'000	2018 $'000	Parent 2019 $'000	2018 $'000
Opening Balance at 01 July	**54,110**	45,771	**-**	-
Share of operating surplus / (deficit)	**16,848**	8,800	**-**	-
Share of dividends paid or payable	**(924)**	(461)	**-**	-
Share of movements in revaluation reserve	**-**	-	**-**	-
Balance of Non-controlling Interest at 30 June	**70,034**	54,110	**-**	-

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

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

	Group		Parent	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Net (deficit) / surplus after tax	**53,650**	23,069	**1,804**	(104)
Add / (less) non-cash items:				
Depreciation	**26,074**	23,832	-	-
Amortisation	**167**	214	-	-
Impairment / written off of fixed assets	-	-	-	-
Gain on disposal of fixed asset	**1,814**	-	-	-
(Gain) / loss on sale of property, plant & equipment	**523**	73	-	-
Loss on fair value movement financial instruments	-	(8,778)	-	-
Revaluation loss on rail assets	-	-	-	-
Write down / (up) of investment properties	**(1,021)**	826	-	-
Earthquake related costs	**3,271**	2,596	-	-
Equity accounted earnings from associate companies	**(10,220)**	(22,499)	-	-
Deferred tax liability	-	6,487	-	-
Deferred tax liability	**(340)**	-	-	-
Change in provision for doubtful debt	-	-	-	-
Add / (less) movements in working capital:				
Accounts receivable	**(1,183)**	(2,133)	**(168)**	(3)
Prepayment	**38**	(13)	**35**	(13)
Accounts payable	**1,859**	5,635	**154**	14
Insurance receivable	**9,268**	3,417	-	-
Dividends receivable	-	-	-	-
Inventory	**(481)**	73	-	-
Borrowings	-	(146)	-	-
Taxation - refund/payable	**2,737**	(4,244)	-	-
Prov for tax/other movements	**(1,093)**	-	-	-
Current account - Greater Wellington Regional Council	-	-	-	-
Deferred tax	**(1,208)**	-	-	-
Employee entitlements	**(191)**	263	-	-
Working capital on WPCL acquisition	-	(1,900)	-	-
Add / (less) items classified as investing and financing activities:				
Accounts payable related to property, plant and equipment	**(619)**	(1,379)	-	-
Accounts receivable related to property, plant and equipment	**(433)**	-	-	-
Insurance progress payment schedule	**(68,804)**	(16,895)	-	-
Increase in share capital	-	-	-	-
Other	**(1,136)**	112	-	-
Net cash inflow from operating activities	**12,672**	8,610	**1,825**	(106)

21 Financial risk management

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

Capital risk management

CentrePort manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings - disclosed in note 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 its. All externally imposed covenants have been complied with during the period.

(a) Market risk

As at 30 June 2019, neither WRC Holdings parent nor WRC Holdings Group had entered into any forward exchange contracts (WRC Holdings Group 2019: no forward contracts).

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.

Reconciliation of other financial (assets) / liabilities

Interest rate sensitivity

WRC Holdings - Parent

At reporting date, if interest rates had been 100 basis point higher or lower and all other variables were held constant, the Parents net profit not be impacted (2018: no impact).

At reporting date, WRC Holdings Parent had not entered into any swaps (2018: no swaps). Therefore a change in swap rates has no impact (2018: no impact).

CentrePort

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by $0.0 million (2018: increase/decrease by $0.5 million).

WRC Holdings - Group

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 $477,000 (2018: +/- $500,000).

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2019 and 30 June 2018.

	Weighted average interest rate	Variable interest rate	Maturity profile of financial instruments						Non-interest bearing	Total
			Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
	%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group 2019										
Trade and other payables			17,037	-	-	-	-	-	17,037	17,037
Payables to employees			3,695	282	-	-	-	-	3,977	3,977
Debt - Parent	2.46	2.42	-	-	44,000	-	-	-	-	44,000
Debt - CentrePort			-	-	-	-	-	-	-	-
Total			20,732	282	44,000	-	-	-	21,014	65,014
Group 2018										
Trade and other payables			14,959	-	-	-	-	-	14,959	14,959
Payables to employees			3,523	645	-	-	-	-	4,168	4,168
Debt - Parent	1.99	2.03	44,080	-	-	-	-	-	-	44,080
Debt - CentrePort	2.54	1.94	22,040	-	-	-	-	-	-	22,040
Total			84,602	645	-	-	-	-	19,127	85,247
Parent 2019										
Trade and other payables			251	-	-	-	-	-	251	251
Borrowings - WRCH	2.46	2.42	-	-	44,000	-	-	-	-	44,000
Parent 2018										
Trade and other payables			97	-	-	-	-	-	97	97
Borrowings - WRCH	1.99	2.03	44,080	-	-	-	-	-	-	44,080
Total			44,177	-	-	-	-	-	97	44,177

(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.

Insurance receivables credit risk

A total of $50m is recognised by CentrePort as a receivable in relation to insurance proceeds at balance date due from various insurance institutions. The credit ratings of the largest insurance credit exposure as published by Standard & Poors is rated A+ and above as at the date of these financial statements.

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 2019, CentrePort Group had not entered into any forward contracts. (2018: 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, (2018: $2 million) and banking facilities of $50 million at balance date (2018: $125 million). No funds (2018: $22 million) have been drawn down by the Group at balance date. The bank overdraft facility of $2 million has not been utilised as at 30 June 2019 (2018: $4 million). As at 30 June 2018 the overdraft was offset by $2.3 million of cash in hand.

Liquidity profile of financial instruments

The following tables detail the groups liquidity profile based on undiscounted cash outflows at 30 June 2019 and 30 June 2018, assuming future interest cost on borrowings at nil% (2018: nil%).

Group - 30 June 2019	Less than One Year $'000	1-2 Years $'000	2-5 Years $'000	5+ Years $'000	Total $'000
Financial liabilities					
Trade and other payables	17,037	-	-	-	17,037
Payables to employees	3,695	-	-	-	3,695
Other financial liabilities	950	-	-	-	950
Borrowings	1,066	1,064	44,533	-	46,663
Total	22,748	1,064	44,533	-	68,345
Group - 30 June 2018					
Financial liabilities					
Trade and other payables	-	-	-	-	-
Payables to employees	14,959	-	-	-	14,959
Other financial liabilities	3,523	645	-	-	4,168
Borrowings	22,926	44,300	-	-	67,226
Total	41,408	44,945	-	-	86,353

Parent - 30 June 2019	Less than One Year $'000	1-2 Years $'000	2-5 Years $'000	5+ Years $'000	Total $'000
Financial liabilities					
Trade and other payables	251	-	-	-	251
Borrowings	1,066	1,064	44,533	-	46,663
Total	1,317	1,064	44,533	-	46,914
Parent - 30 June 2018					
Financial liabilities					
Trade and other payables	97	-	-	-	97
Payables to WRC	-	-	-	-	-
Borrowings	886	44,300	-	-	45,186
Total	983	44,300	-	-	45,283

(d) Financial instruments by category

Assets	**Loans and receivables $'000**	**At fair value through other comprehensive income $'000**	**Total $'000**
Group			
At 30 June 2019			
Cash and cash equivalents	91,729	-	91,729
Trade and other receivables	61,050	-	61,050
Current account - Wellington Regional Council	6,089	-	6,089
	158,868	-	158,868
At 30 June 2018			
Cash and cash equivalents	2,313	-	2,313
Trade and other receivables	68,525	-	68,525
Current account - Wellington Regional Council	8,119	-	8,119

	78,957	-	78,957

	Loans and receivables $'000	At fair value through other comprehensive income $'000	Total $'000
Parent			
At 30 June 2019			
Cash and cash equivalents	3	-	3
Trade and other receivables	227	-	227
Current account - Port Investments Limited	628	-	628
Current account - Wellington Regional Council	2,525	-	2,525
	3,383	-	3,383
At 30 June 2018			
Cash and cash equivalents	4	-	4
Trade and other receivables	93	-	93
Current account - Port Investments Limited	539	-	539
Current account - Wellington Regional Council	2,669	-	2,669
	3,305	-	3,305

Liabilities	Derivatives classified as held for trading $'000	Financial liabilities at amortised cost $'000	Total $'000
Group			
At 30 June 2019			
Trade and other payables	-	17,037	17,037
Borrowings	-	44,000	44,000
Derivative financial instruments	-	-	-
	-	61,037	61,037
At 30 June 2018			
Trade and other payables	-	14,959	14,959
Borrowings	-	66,120	66,120
Derivative financial instruments	-	-	-
	-	81,079	81,079
Parent			
At 30 June 2019			
Trade and other payables	-	251	251
Borrowings	-	44,000	44,000
	-	44,251	44,251
At 30 June 2018			
Trade and other payables	-	97	97
Borrowings	-	44,080	44,080
	-	44,177	44,177

22 Commitments

Capital commitments

The Parent Company, WRC Holdings Limited and Port Investments Limited has no capital or operating commitments as at 30 June 2019 (2018: nil).

At balance date CentrePort had entered into commitments for the acquisition of property, plant,and equipment amounting to $11.7 million for the Group (2018: $5.1 million).

Greater Wellington Rail at balance date had commitments in respect of contracts for capital expenditure of $68 million (2018: $71.6 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		Parent	
	2019 **$'000**	2018 $'000	**2019** **$'000**	2018 $'000
Not longer than 1 Year	**332**	311	-	-
Longer than 1 Year and not longer than 5 Years	**952**	904	-	-
Longer than 5 Years	**476**	317	-	-
	1,760	1,532	-	-

Operating Leases as a Lessor

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

	Group	Parent		
	2019 **$'000**	2018 $'000	**2019** **$'000**	2018 $'000
Not later than 1 Year	**18,056**	7,717	-	-
Later than 1 Year and not later than 5 Years	**56,694**	23,876	-	-
Later than 5 Years	**20,291**	18,741	-	-
	95,041	50,334	-	-

23 Related party transactions

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

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

Related party transactions required to be disclosed

At year end the Company is owed $627,000 by Port Investments Limited, its fully owned subsidiary (2018: The company was owed $539,400 by Port Investments Limited). No interest is charged on these outstanding balances. Apart from this there are no related party transactions required to be disclosed during the year.

Key management personnel compensation

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

	Group		Parent	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**4,246**	3,190	**12**	16
Total key management personnel compensation	**4,246**	3,190	**12**	16

There are 6 full time key management personnel

24 Explanation of major variances against budget

Statement of comprehensive revenue and expenses	Group Actual 2019 $'000	Group Budget 2019 $'000
Revenue		
Operating revenue	102,833	93,292
Share of associate profit	10,220	5,175
Earthquake related (costs)/recoveries	60,717	80,063
Fair value movements	(1,317)	-
Total revenue	172,453	178,530
Expenditure		
Finance costs	(741)	(1,420)
Operational Expenditure	(117,843)	(96,182)
Surplus / (deficit) for the year before tax	53,869	80,928
Income tax expense/(credit)	(219)	634
Surplus / (deficit) after tax	53,650	81,562
Other comprehensive income	43,388	-
Total comprehensive income / (deficit) for the year	97,038	81,562

Balance sheet		
Assets	-	-
- Current	160,699	135,395
- Non-current	669,242	642,329
Total assets	829,941	777,724
Liabilities		
- Equity	635,959	622,552
- Current liabilities	24,503	20,923
- Non-current liabilities	169,479	134,249
Total equity and liabilities	829,941	777,724

Statement of cash flow		
Cashflows from operating activities	12,672	15,483
Cashflows from investing activities	85,904	(25,355)
Cashflows from financing activities	(5,123)	28,434
	-	-
Net increase / (decrease) in cash, cash equivalents and bank overdraft	93,453	18,562
Cash and cash equivalents at the beginning of the year	(1,724)	4,011
Cash and cash equivalents at the end of the year	91,729	22,573

24 Explanation of major variances against budget (continued)

Significant components of this variance are:

1. Revenue and expenses

The big drivers for the lower revenue to budget are lower Insurance receipts in CPL (timing issue at this stage), one off costs of settling the MCN's in CPL subsidiaries now equity accounted offset, by other comprehensive income revaluation in GWRL, providing an overall higher total comprehensive income surplus for the year.

2. Assets and liabilities

Total assets are higher primarily due to $60m revaluation in GWRL offset by a lower capex spend. CPL assets mix is higher for current assets reflecting a higher insurance receivable and cash on hand offset by lower term assets due to lower capex spend.

3. Cash flows

-Operating cashflows are slightly lower than budget due to a lower contribution (underlying net profit after tax) from CPL compared to budget.

-Investing cashflows are lower and positive due to lower capex spends in CPL & GWRL but offset by higher insurance receipts relative to capex spent in CPL.

-Financing cashflows are lower and negative reflecting lower share proceeds in WRCH from Council due to lower capex spend and unbudgeted repayment of borrowings by CPL.

25 Contingencies

The following contingent liabilities existed at 30 June 2019:

Contingent Liabilities

The Parent Company has uncalled capital in Port Investments Limited of $10,000,100 (2018: $10,000,100).

The Parent Company has uncalled capital in Greater Wellington Rail Limited of $18,125,976 composed of 19,000,000 shares called to $874,024 (2018: $11,825,976 composed of 170,200,000 shares called to $158,374,024).

CentrePort Limited had no contingent liabilities as at 30 June 2019 (2018: Nil).

Contingent Asset
The parent company has uncalled capital with its owner Greater Wellington Regional Council of 50 million shares valued at $50 million (2018: the same).

The Group has made a claim with its insurers for damages incurred to its insured port assets and infrastructure from the November 2016 earthquake. The insurers have accepted that the damage is covered under the group insurance policies, however, the final settlement amount has not yet been agreed.

Until the insurance claim process is finalised it is not possible to reliably estimate the value of the contingent asset.

26 Subsequent events

No dividend was declared post balance date by WRC Holdings (2018: Nil).

Compliance

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

Responsibility

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

The Directors have authority to sign these financial statements.

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

In the opinion of the Directors and management of the Company, the annual financial statements and the statement of service performance for the year ended 30 June 2019 fairly reflect the financial position and operations of the Company.

Director	Director	Chief Financial Officer
September 26, 2019	September 26, 2019	September 26, 2019

Auditors' report

To the shareholders of WRC Holdings Limited