WRC Holdings Limited
Financial Statements
for the year ended 30 June 2020

Contents

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Directory

Directors	Appointed
S H Sharif (Retired 7 December 2018)	12 August 2015
P M Lamason (Chairperson)	18 November 2010
B H Donaldson (until 20 November 2019)	21 November 2013
R W G Blakeley	29 November 2016
I D McKinnon (until 20 November 2019)	29 November 2016
N O Leggett	12 October 2017
H M Mexted	24 June 2019
N S W Ward	24 June 2019
G Hughes	20 November 2019
C Kirk-Burnnand	20 November 2019

Registered office

Shed 39, 2 Fryatt Quay,
Pipitea, Wellington 6011

Auditor

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

Bankers

ANZ Bank New Zealand Ltd

Directors' report

The Directors have pleasure in submitting their Annual Report including the financial statements of WRC Holdings Ltd and its subsidiaries (the Group) for the year ended 30 June 2020.

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 Greater Wellington Rail Limited, Port Investments Limited (until 31 March 2020) and is a 76.9% owner of CentrePort Limited.

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

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

The Group's primary objectives

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

Own'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 region in which the Group operates.

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

Contribute to the desired outcome of the Wellington Regional Strategy.

The WRC Holdings Group largely met all its objectives as set out in the 2019/20 Statement of Intent and Wellington Regional Council's Long Term Plan 2018-2028 with the exception of some of its financial performance targets and a number of CentrePorts performance targets, mostly attributable to the COVID-19 lockdown.

The nature and scope of activities undertaken by the group are consistent with those set in the 2019/20 Statement of Intent and Wellington Regional Council's Long Term Plan.

Statement of Service Performance

FINANCIAL PERFORMANCE TARGETS

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

	Actual 2020 $'000	Target 2020 $'000	Actual 2019 $'000
Net (deficit) / surplus before tax	**147,045**	**184,362**	53,869
Net (deficit) / surplus after tax	**143,288**	**190,114**	53,650
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**171,149**	**218,712**	80,474
Return on Shareholder's equity	**22.90%**	**33.90%**	7.07%
Return on total assets	**15.70%**	**23.60%**	7.11%
Shareholders equity to total assets	**68.90%**	**69.50%**	67.50%
Dividends	**2,800**	**2,523**	1,800
WRC Holdings - Parent			
Dividend distribution	**2,800**	**2,523**	1,800
Dividend distribution %	**98.0%**	**100%**	100%
Return on equity	**1.00%**	**1.00%**	0.78%
Return on assets	**1.24%**	**1.20%**	1.00%
Shareholders' funds to total assets	**96.0%**	**84.7%**	84.0

The above 2020 financial results are calculated on the same basis as previous year.

Net (deficit) / surplus before tax

The Group posted net surplus before tax of $147 million (2019: surplus of $53.9 million) compared to a budget surplus before tax of $184m million for the year.

The main drivers for the variance to target are lower insurance proceeds than budgeted for in CentrePort, revenue being significantly impacted by the COVID-19 lockdown, increased costs due to full consolidation of entities previously classified as associates and increased temporary works.

Net (deficit) / surplus after tax

The net surplus after tax was $143.3 million (2019: surplus of $53.7 million), compared to a budget surplus after tax of $190.1 million. The drivers for the variance are similar to the net deficit before tax as stated above.

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

EBITDA was $171.1 million (2019: $80.5 million) compared to a budget of $218.7 million.

This variance is related to the same factors as in the net deficit before tax above.

Return on total assets

This target is calculated as earnings before interest and tax (EBIT) and expressed as a percentage of average total assets. As at 30 June 2020, return on total assets was 15.7% (2019: 7.11%) compared to a budget of 23.11%.

The variance to target is predominately than budget 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 2020, the return on shareholders' equity was 22.9% (2019: 7.07%), compared to a budget of 33.9%.

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 2020 the ratio of shareholders equity to total assets stood at 68.9% (2019: 67.5%) and compared to a budget of 69.5%.

Dividends paid (or payable to the shareholders)

A dividend of $2.8 million was paid to the shareholders during the year (2019: 1.8 million).

WRC HOLDINGS - OPERATIONAL PERFORMANCE MEASURES

WRC Holdings to act as a responsible and inquiring Shareholder.

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

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

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

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

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

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

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

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

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

FINANCIAL PERFORMANCE MEASURES - WRC Holdings Parent

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

ENVIRONMENT PERFORMANCE TARGETS

Planned Target

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

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

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

Ensure regulatory compliance.

Actual Performance

The Group has complied with all of its resource consents.

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

CentrePort has achieved most of its environmental targets as set down in its Statement of Corporate Intent 2019/20, for the year ended 30 June 2020. Some of the objectives are still in progress or have been deferred.

SOCIAL PERFORMANCE TARGETS

Planned Target - WRC Holdings Group

To provide a safe and healthy workplace

To help sustain the economy of the region

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

Actual Performance

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

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

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

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

PERFORMANCE TARGETS - CentrePort Limited

	Actual 2020 $'000	Target 2020 $'000	Actual 2019 $'000
CentrePort Limited			
Net profit before tax	19,700	17,400	18,600
Net profit after tax (1)	14,700	12,600	16,600
Return on total assets (2)	3.8%	3.4%	8.8%
Return on equity (3)	3.9%	3.6%	6.2%
Dividend as a % of underlying net profit after tax before earthquake impacts and changes in fair value	34.1%	40%	24.1%
Underlying net profit after tax before earthquake impacts and changes in fair value per share	0.63	0.54	0.71
Dividend	5,000	5,000	4,000
Dividend per share	0.21	0.21	0.17
Net assets per share	19.44	19.18	12.95
	- %	- %	- %
	- %	- %	- %

(1) Underlying net profit after tax before earthquake impacts and changes in fair value includes abnormal Items.
(2) Return on assets = earnings before interest, tax, earthquake impacts, and changes in fair value divided by the average opening and closing non-current assets.
(3) Return on equity = underlying net profit after tax before earthquake impacts and changes in fair value divided by the average opening and closing total equity.
(4) Based on net surplus before tax divided by average equity but excluding revaluation gains and losses.
(5) Based on earnings before interest and tax divided by average assets.

The Statement of Corporate Intent (SCI) targets are from the SCI for the financial years ended 30 June 2020 to 2023 which was approved for issue in June 2019.

SAFETY AND SECURITY PERFORMANCE TARGETS - CENTREPORT LIMITED

Objective	Performance measure	Performance target FY20	Performance target Q4 and FY20
Year on year improvement towards zero harm	Lost Time Injury Frequency (per 200,000 hours worked)	3.5	12 month rolling LTIFR = 2.69
	Lost Time Injury Severity Rate	10	12 month rolling LTISR = 8.0
	Site Inspections	>120	Q4 = 87 FY20 = 261
	Safety Interactions	>120	Q4 = 103 FY20 = 302
	Random Drug and Alcohol Testing (as a percentage of total employees)	>40%	COVID -19 prevented our drug testing agency from testing during level 4 lockdown. Outside of level 4 lockdown testing was carried out every month above the target level
	bSafe Reports (incident and near miss reports)	>900	Q4 = 171 FY20 = 1,059
Comply with the AS/NZS 4801: Occupational Health and Safety Management Systems	AS/NZS 4801 audit completed in alternate years to WSMP	Compliance with AS/NZS 4801	Health & Safety systems are all fit for purpose and comply with AS/NZS 4801
Maintain a Health and Safety Policy that leads our zero harm aspiration and actions	Policy reviewed annually against CentrePorts objectives and external benchmarks	Compliance with Policy	H&S policy documents have been reviewed and strategy aligns with CentrePort values and vision
Maintain and promote excellence in Marine Operations consistent with the Port & Harbour Safety Code (PHSC)	The requirements of the PHSC continue to be met	No breaches of the PHSC	No breaches of the PHSC
	Risk assessments of new tasks or reviews post incident completed	All new task risk assessments and post incident reviews complete	All new tasks and any changes to current workflows have adequate risk assessment prior to any changes
Maintain compliance with the International Ship & Port Security (ISPS) Code	Compliance is maintained, all incidents are reported to MNZ and NZ Customs Service, and learning reviews are undertaken and recommendations implemented	Compliance maintained as per annual audit	Compliance with the ISPS maintained. All reportable incidents reported to the correct regulatory body

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ENVIRONMENTAL PERFORMANCE TARGETS

Objective	Performance measure	Performance target FY20	Performance target Q4 and FY20 Outcome
Ensure regulatory compliance	Compliance breaches	Zero	Q4 = Zero.Significant improvement in identification of compliance requirements achieved under a certified EMS.Engagement with regulatory authorities continues, as does close monitoring of contractors on port.
Minimise risk to the environment	System: consistency with ISO14001	Audit and completion of first stage certification (note 1 below)	Enviromark (Toitu) 'Gold' level maintained. Development of EMS to next stage underway.
	Incidents: number of registered environmental incidents (FY2015 baseline – 32)	Minimum 20% decrease from baseline	2 incidents. Hydraulic oil spill in log yard. Diesel spill in Bluebridge marshalling area. FY20 = 9. All incidents were investigated, and corrective/improvement actions taken where necessary.
	Complaints: number of complaints from external stakeholders about environmental performance	Zero	Q4 = 1 complaint relating to vessel exhaust emission. FY20 = 5 complaints. 3 complaints relating to vessel emissions and 2 complaints relating to dust discharges.
Operate in a sustainable manner	Greenhouse gas emissions (quantity CO2 equivalent) emissions measured in accordance with ISO 14064 – 1:2006 and the Greenhouse Gas Protocol.	Meet targets identified in Emissions Management Plan	Emission reduction opportunities are progressing (EV's, electric bomb carts, electrical upgrades including diesel generator replacement). Longer term emissions reduction strategy development well advanced (to be finalised Q1 FY21).
	Ozone depleting substances used (quantity methyl bromide released to atmosphere)	100% recapture	100% recapture for the period.
	Solid waste to landfill (quantity) including the potential for third party waste	Waste minimisation integrated into EQ recovery projects	Q4. Demolition waste reduction programme continuing (e.g. former BNZ building), including receipt of waste from external sites. FY20. Significant quantities of construction and demolition waste diverted from landfill to be reused or recycled. Waste management practices (e.g. office waste) improving.
Engage with stakeholders on environmental matters	Environmental Consultative Committee meeting frequency	At least three per annum	Two meetings held. Third meeting postponed due to Covid-19. Next meeting planned for October.
	Iwi engagement	Pre lodgement consultation undertaken for 100% of resource consent applications	Q4. Two meetings with Port Nicholson Block Settlement Trust (PNBST) Chairperson occurred in April, and ongoing engagement planned including a port tour. FY20. Engagement with mana whenua iwi leadership, particularly regarding port regeneration and major projects. Engagement on resource consent applications is ongoing.

	Transparency	Performance against targets reported in Annual Report	Port regeneration planning includes environmental performance and will be included in company reporting and communications.
Develop a culture of awareness and responsibility	Board sub-committee (Health Safety and Environment) meeting frequency	At least four per annum	Q4. Meeting held in May 2020.FY20. 4 HSE sub-committee meetings held.
	Internal "sustainability subcommittee" meeting frequency	Monthly	Q4. Monthly HSE rep meetings heldFY20. Internal engagement on environmental issues is ongoing and is a key cultural element of port regeneration.

Notes: 1. Based on a three stage certification process to achieve ISO 14001 (using EnviroMark or similar)

Regeneration Measures

Objective	Performance measure	Performance target FY20	
		FY20	Q4 and FY 20
Planning supports the appropriate regeneration and growth of the port	Planning completed on time and with input from key stakeholders	Port Regeneration Plan updated	Q4. Further development of Portfolio Investment Plan, including response to specific questions from Shareholder(s).In addition to the above the following has been undertaken: 1) Finalisation and approval of preferred spatial and operating plan report from Hamburg Port Consulting. 2) Re-engagement with KiwiRail and GWRC representatives on potential for co-located terminals located around Kings Wharf and the Inner Harbour. 3) Continued resolution of matters related to the Proposed Natural Resources Plan. 4) Development and finalisation of draft Emission Reduction Plan. 5) Development of draft business cases for engagement with Shareholder(s) on Container Berth Reinstatement, and Seaview Wharf. 6) Finalisation of documentation and reports related to Ground Resilience Strategy.FY20. Completed all necessary Regeneration Planning works, including Portfolio Investment Plan, Operating and Spatial Plan, economic assessment. Engagement commenced with Shareholder(s).
Infrastructure restoration and challenge	Demolition programme on target as contained in Medium Term Operating Plan	On target	Q4. Demolition Programme delayed due to disruptions associated with COVID-19 Level 3 and 4 lockdowns. Specific Updates: 1) Former BNZ - hard demolition to be completed end of Q1 FY21. Progressing well since post COVID-19 resumption. 2) CentrePort House - enabling works and hard demolition approved. Enabling works for hard demolition to commence post CPL occupation of Shed 39 ground floor. 3) Shed 53 Planning to resume once priority focus areas have been complete. FY20. Demolition Programme proceeding in accordance with programme / sequence. Delays attributed to COVID-19.

	Natural hazard resilience programme developed	Commence works to Seaview Works and first ground resilience projects commenced	The following represents and update on the Medium-Term Operating Plan resilience works: 1) Seaview Wharf - detailed business case developed for base case scope of work and ready for engagement with Shareholder(s). Progressing detailed engagement with industry and integration with their pipeline upgrade. Detailed design commenced on base case scope. 2) Aotea Quay - operational renewals on-going. Ground resilience works to progress in FY21 due to space constraints affecting operations due to other priority regeneration works. 3) Container Services Bomb Carts - in manufacture and delayed due to Covid-19 affects in Europe. 4) Container Berth - ground resilience works commenced behind non-secured sections of TCW2 in June 2020. Business case awaiting submission to Shareholder(s) following engagement on Portfolio Investment Strategy. 5) Sub-Station B Switchboard - progressing. 6) RFT2 and RFT3 Gangway Works - seismic improvement works completed in June 2020 ready for KiwiRail re-occupation (RFT2 only). Seismic assessments completed on all structures.
	Restoration of buildings on target as contained in Medium Term Operating Plan	On target	Q4. Fitout of Shed 39 delayed due to COVID-19 lockdown, and now likely to be complete in late July 2020, which will allow commencement of transition of CPL staff from CentrePort House and Pipitea Village. No feedback to date from KiwiRail on Interislander Arrivals Building. Seismic Improvement Works complete in late June 2020 on RFT2 Gangway to remove Earthquake Prone Status. FY20. Restoration of Buildings on track but various delays as a result of COVID-19.
	Traffic and pedestrian management solutions on target as contained in Medium Term Operating Plan	Medium Term solutions commenced	Q4. Realignment of main port entrance / exit via Hinemoa Street works ongoing. Completion of first phase of works likely in August 2020 which will enable realignment of Bluebridge discharge and then demolition of CPL House. FY20. On target but delayed as a result of COVID-19 impact.

Social Measures			
Objective	**Performance measure**	**Performance target FY20**	**Q4 & FY20**
Being a respected and responsible employer	Conduct annual staff engagement survey and follow up actions.	Engagement survey conducted.	The CEO has held regular meetings with a range of stakeholders including central/local government representatives, customers.
Building awareness of the value and contribution of CentrePort's activities to the regional economy.	Targeted engagement with key stakeholders directly and via channels.	Face-to-face meetings with key stakeholders/influencers	Stakeholder updates provided via direct email, LinkedIn, website.
		Quarterly stakeholder update published	Stakeholder updates provided via direct email, LinkedIn, website.
Participating in and encouraging selected community activities.	Community engagement strategy and policy developed to guide appropriate and effective investment in community activities.	Community engagement strategy and policy completed, adopted and implemented.	Community/commercial events supported via sponsorship
Consulting employees, stakeholders and the community, as appropriate.	Engage stakeholders / community on Regeneration Plan.	Regeneration Plan engagement plan finalised and implemented.	Stakeholder engagement on individual Medium Term Operating Plan projects. Wider, longer term Regeneration engagement plan formed.

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 (until 20 November 2019)
R W G Blakeley
N O Leggett
I D McKinnon
H M Mexted
N S W Ward
G. Hughes
C Kirk-Burnnand

Remuneration of Directors of the Parent Company

Details of Directors' remuneration are as follows:

	2020 $'000	2019 $'000
S H Sharif (retired 7 December 2018)	-	6
P M Lamason (Chairperson)	-	-
B H Donaldson	-	-
I D McKinnon	-	-
R W G Blakeley	-	-
N O Leggett	14	6
H M Mexted	14	-
N S W Ward	14	-
	42	12

Relevant entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2020:

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

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)

Capital and Coast District Health Board (Member)

Transpower New Zealand Limited

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)

Hutt Mana Charitable Trust (Trustee)

MITO Industry Training (Director)

Road Transport Forum (Chief Executive)

Bulterant Trust (Trustee & Beneficiary)

H M Mexted

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

New Zealand Walking Access Commission (Board Member)

Glenora Limited (Shareholder)

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)

McIntosh Ward & Associates Limited (Shareholder & Director)

G Hughes

Hamana Trustees Limited (Shareholder)

Rostrevor Roof Limited (Shareholder)

Collingwood Rentals Limited (Director)

Irico Limited (Director)

Port Investments Limited (Director)

Collingwood Promotions Limited (Shareholder)

C Kirk-Burnnand

Autostop Holdings Limited (Shareholder)

Autostop Tasman Limited (Shareholder)

Autostop Caspian Limited (Director)

Autostop Baltic Limited (Shareholder)

Autostop Pacific Limited (Shareholder)

Autostop Arctic Limited (Shareholder)

James Mcdonnell Limited (Shareholder)

Mcdonnell Farming Company (Ohau) Limited (Shareholder)

Patricia Mcdonnell Trustee Company Limited (Shareholder)

PI North Limited (Director)

PI Ross Limited (Director)

Porirua Foundation Administration Limited (Director)

Portview Forest GP Limited (Shareholder)

Property Logic Limited (Shareholder)

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	**29**
$110,001 - $120,000	**20**
$120,001 - $130,000	**18**
$130,001 - $140,000	**12**
$140,001 - $150,000	**13**
$150,001 - $160,000	**2**
$160,001 - $170,000	**6**
$170,001 - $180,000	**4**
$180,001 - $190,000	**2**
$190,001 - $200,000	**4**
$200,001 - $210,000	**1**
$220,001 - $230,000	**3**
$230,001 - $240,000	**4**
$240,001 - $250,000	**1**
$280,001 - $290,000	**2**
$290,001 - $300,000	**2**
$320,001 - $330,000	**1**
$340,001 - $350,000	**1**
$660,001 - $670,000	**1**
	126

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

For, and on behalf of, the Board of Directors

Director

November 30, 2020

Director

November 30, 2020

WRC Holdings Limited
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2020

	Notes	Group 2020 $'000	Group 2019 $'000
REVENUE			
Operating revenue	3	104,428	102,833
Share of associate profit accounted for using the equity method	12	-	10,220
Finance income	3	5,212	-
Total revenue		109,640	113,053
Earthquake related costs:			
Insurance deductible expenses	4	(3,456)	(24,220)
Impairment of assets	4	(818)	(3,271)
Earthquake costs	4	(975)	(2,174)
Net insurance recovery - associates	4	172,500	90,382
Gain / (loss) in fair value movements:			
Fair value of investment properties - CentrePort	3	108	(1,317)
EXPENDITURE			
Expenses, excluding finance costs	3	(129,038)	(117,843)
Finance costs	3	(916)	(740)
(Deficit) / surplus before taxation and subvention payment		147,045	53,870
Income tax benefit / (expense)	5	(3,757)	(219)
Profit from continuing operations		143,288	53,651
Net (deficit) / surplus after tax for the year		143,288	53,651
Other comprehensive revenue and expenditure			
Revaluation gain/(loss) on infrastructure assets after tax		-	60,262
Deferred tax recognised in reserves		-	(16,874)
Increase/(Decrease) in value of CentrePort port land after tax		5,918	-
Adjustment to Fair value for Land resilience Impact after Tax		(7,119)	-
		(1,201)	43,388
Other comprehensive income for the year, net of tax		(1,201)	43,388
Total comprehensive income for the year		142,087	97,039
Total comprehensive revenue and expenditure for the year is attributable to:			
Owner of WRC Holdings Limited		105,799	80,191
Non-controlling interest		36,288	16,848
		142,087	97,039

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2020

Group	Notes	Attributable to equity holders of the Company: Contributed Equity $'000	Revaluation Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
Balance as at 1 July 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
Transfers		-	(158)	158	-	-
Increase / (Decrease) in Revaluation reserve		-	60,262	-	-	60,262
Deferred tax on other comprehensive income		-	(16,874)	-	-	(16,874)
Dividends		-	-	(1,800)	(924)	(2,724)
Balance as at 30 June 2019	18	**269,145**	**54,754**	**242,026**	**70,034**	**635,959**

Group	Notes	Attributable to equity holders of the Company: Share Capital $'000	Revaluation Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
Balance as at 1 July 2019		269,145	54,754	242,026	70,034	635,959
Total Comprehensive Income for the Year		-	-	106,724	36,566	143,290
Contributed Equity		17,000	-	-	-	17,000
Increase / (Decrease) in Revaluation reserve		-	(924)	-	(277)	(1,201)
Dividends		-	-	(2,800)	(1,154)	(3,954)
Balance as at 30 June 2020	18	286,145	53,830	345,950	105,169	791,094

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Financial Position
As at 30 June 2020

	Notes	Group 2020 $'000	Group 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	16	**250,055**	91,729
Trade and other receivables	6	**16,358**	11,049
Other financial assets	21	**19,726**	-
Inventories	7	**2,726**	1,831
Insurance Receivable		**-**	50,000
Current accounts - GWRC		**7,568**	6,090
Total current assets		**296,433**	160,699
Non-current assets			
Property, plant and equipment	8	**609,371**	588,140
Intangible assets	9	**3,463**	3,094
Investments in joint venture	12	**-**	(190)
Advances to subsidiaries	10	**-**	-
Investment properties	11	**59,903**	62,453
Deferred tax assets	14	**16,887**	15,745
Total non-current assets		**689,624**	669,242
Total assets		**986,057**	829,941
LIABILITIES			
Current liabilities			
Trade and other payables		**15,696**	17,037
Taxation payable		**526**	2,821
Provisions for employee entitlements	17	**5,508**	3,695
Current Account GWRL		**-**	950
Total current liabilities		**21,730**	24,503
Non-current liabilities			
Interest bearing liabilities	15	**44,000**	44,000
Provision for employee entitlements	17	**357**	282
Deferred tax liabilities	14	**128,873**	125,197
Total non-current liabilities		**173,230**	169,479
Total liabilities		**194,960**	193,982
Net assets		**791,097**	635,959
EQUITY			
Contributed equity	18	**286,145**	269,145
Reserves		**53,830**	54,753
Retained earnings		**345,953**	242,027
Non-controlling interest	19	**105,169**	70,034
Total equity		**791,097**	635,959

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

Director
November 30, 2020

Director
November 30, 2020

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Cash Flows
For the year ended 30 June 2020

	Notes	Group 2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		84,014	84,457
Dividend income received		-	-
Rental income		6,439	6,390
Interest income received		3,592	748
Business Interruption - loss of rents		15,502	6,622
Subsidies		12,954	11,611
Other income		268	-
		122,769	109,828
Cash was disbursed to:			
Payments to suppliers and employees		(99,958)	(96,185)
Business Interruption - temporary work		-	24,220
Income taxation paid		(3,518)	(123)
Interest expense paid		(730)	(1,362)
Temporary work and demolition costs		(5,843)	(22,740)
Tax transfer from SPV's		-	(966)
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	12,720	12,672
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Cash balance from Joint Venture	13	-	47,944
Proceeds from sale of Property, Plant & Equipment		-	459
Earthquake insurance payment received		206,998	68,808
Cash was applied to:			
Purchase of Property, Plant & Equipment		(46,659)	(21,293)
Development of Investment Properties		(5,239)	(2,636)
Purchase of subsidiary company shares		-	-
Other transfers		(145)	885
Earthquake capital expenditure		-	(8,263)
Purchase of investments		(19,726)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		135,229	85,904
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Issue of ordinary shares		17,000	12,700
Cash was applied to:			
Borrowings repaid		-	(18,080)
Movement in current account		(2,669)	2,980
Dividends paid to shareholders		(3,954)	(2,723)
NET CASH FLOWS FROM FINANCING ACTIVITIES		10,377	(5,123)
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		158,326	93,453
Add opening cash, cash equivalents / (overdraft) brought forward		91,729	(1,724)
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END	16	250,055	91,729

The accompanying notes form part of these financial statements.

1 Statement of compliance

The "Group" consists of WRC Holdings Limited, its wholly owned subsidiaries, Greater Wellington Rail Limited, Port Investments Limited (until 31 March 2020) 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 itself as public benefit entities (PBE's) and applies New Zealand Tier 1 Public Sector Public Benefit Entity accounting standards (PBE Accounting Standards).

The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 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 30 November 2020.

2 Statement of accounting policies

(a) Basis of preparation

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Specific accounting policies

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

(b) Critical accounting estimates and judgements

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

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

The areas involving significant estimates or judgements are:

Income tax calculations (note 5)

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

Fair value of Port land (note 8)

Impairment of Port assets held at cost (note 8)

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

Recognition of deferred tax assets and liabilities (note 14)

COVID-19 Pandemic Impact

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. On 21 March, Prime Minister Jacinda Ardern introduced a country-wide alert level system to deal with the coronavirus outbreak. There are four alert levels, with level 1 being the least risk of infection and 4 the highest. On Wednesday 25 March the New Zealand Government raised its Alert Level to 4 which is a full lockdown of non-essential services. The country moved down to alert level 3 on 28 April.

CentrePort experienced lower overall ship calls during the lockdown. CentrePort's main trades were impacted as follows:

Containers continued to move throughout the lockdown period, with volumes slightly lower due to the pandemic.

The cruise season finished 18 March, with 8 cruise visits cancelled due to the lockdown.

Log exports were classified as a non-essential cargo during Alert Level 4. Volumes were significantly impacted until restrictions were lifted when the country moved to Alert Level 3.

Petroleum imports significantly reduced during and after the lockdown due to low demand and high stock levels.

GW Rail is classified as an essential service provider and continued to operate during this period. As the entity's operations are not customer facing the impact of the lockdown was limited. There were also no variations to leasing agreements with third parties.

COVID-19 Provisions

Impairment of debtor balances

CentrePort's bad debts have historically been very low. However, invoices relating to the 2019/2020 cruise season remain outstanding. The cruise industry is facing significant challenges with border closures and uncertainty on the timing of reopening of borders. The recovery of the outstanding balances is less certain with the cruise industry significantly impacted by the COVID-19 pandemic.

CentrePort has provided for impairment of debtor balances as a result of the COVID-19 pandemic. CentrePort's assessment is based on objective evidence regarding the recoverability of outstanding debtor balances at balance date.

Redundancy Provision

CentrePort needs to ensure the continuation of a flexible, sustainable business, operating efficiently and safely while maintaining quality service levels to our customers. To achieve this, Management is undergoing a change process.

As a result, certain redundancies were announced before balance date and provided for as appropriate.

Material Valuation Uncertainty

The group's accounting policy is to revalue CentrePort's operational port land every three to five years. The land was last revalued at 30 June 2017. Colliers International have valued operational port land as at 30 June 2020. Investment Property is revalued each year, and Colliers International have valued all investment properties as at 30 June 2020.

Market activity is being impacted in almost every sector and there has been a reduction in liquidity across many investment markets. In terms of the property markets it is difficult at the current time to determine if this is a short-term liquidity issue or a longer term concern. The illiquidity in some property markets means there will be a time delay in establishing a sufficient body of transactional evidence to demonstrate actual pricing, of some property types and locations, and therefore what the adjustment from pre-pandemic values is with certainty.

Valuations are therefore based on material uncertainty. Consequently, a higher degree of caution should be attached to the valuations than would normally be the case. This does not reduce the accuracy or suitability of the valuations at balance date.

This valuation uncertainty is in addition to the material valuation uncertainty as to the final operational port land resilience costs

The impact of COVID-19 on CentrePort's balance sheet is set out below:

Balance Sheet Item	**COVID-19 Assessment**	**Note**
Cash and Cash Equivalents	No impact to the carrying value of cash on hand.	16
Trade and Other Receivables	CentrePort has updated the provision for the credit losses. As at 30 June 2020 the group has provided for impairment of debtor balances of $100k.	6
Inventories	No impact.	7
Property, Plant and Equipment, and Investment Properties	CentrePort's land and investment properties are held at fair value. With lower property transactions post lockdown to assess the impact of COVID-19 material valuation uncertainty is present in the valuations. However, CentrePort does not expect any significant change in the medium to long term values. The plant & equipment is held at cost less accumulated depreciation. CentrePort has not identified indicators that there has been a decline in the value of plant and equipment due to COVID-19 as the assets remain critical to providing essential services. GW Rail property plant and equipment comprises mainly of rail rolling stock and infrastructural assets. These assets by their nature are not impacted by market movements and therefore not impacted by the COVID-19 lockdown.	8,11
Intangible Assets	CentrePort's intangible assets have been tested for impairment as required under PBE IPSAS 26. A fair value less costs of disposal approach has been used to estimate an enterprise value for CentrePort's single cash generating unit. The impairment analysis supports the $2.7m carrying value of goodwill.	9
Provision for Employee Entitlements	CentrePort has accrued for restructuring costs as a result of a staffing review and change process.	17
Tax Liabilities	The reintroduction of tax depreciation on commercial buildings as part of the Government's COVID-19 measures provides a deferred tax benefit.	14

(c) Basis of consolidation

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

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

(d) Statement of cash flow

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

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

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

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

(iv) Operating activities comprise the principal revenue-producing activities of the group and other activities that are not considered to be investing or financing activities.

(e) Revenue recognition

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

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

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

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

(iii) Dividend and interest revenue
Dividends are recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

iv) *Business interruption insurance income*

Business interruption insurance is recognised on an accruals basis.

iv) *Grant revenue*

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

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

Income is stated exclusive of GST collected from customers.

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 independently valued by Colliers International, a registered valuer, on 30 June 2020. Due to the outbreak of the Coronavirus (COVID-19) there is a material valuation uncertainty regarding the assessed value of the Operational Port Land.

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

Property, Plant & Equipment (other than Operational Port Land) is recorded at cost less accumulated depreciation and impairment. Cost represents the value of the consideration to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All Property, Plant & Equipment is depreciated, excluding land.

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. In the current year Shed 39 has been reclassified from Investment Property to Property, Plant & Equipment as at 30 June 2020 as a result of a change in use of the building to owner-occupied.

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

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

Buildings	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

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

Due to the outbreak of the Coronavirus (COVID-19) there is a material valuation uncertainty regarding the assessed value of Investment Property. Please see section 2(b) for more detail.

(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.

(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 PBE IPSAS 26 Impairment of Cash-Generating Assets as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with PBE IPSAS 26 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 crushed concrete and 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.

CentrePort has also accrued for restructuring costs as a result of a staffing review and change process due to COVID-19. Please see note 2(b).

(q) Financial instruments

Financial Instruments Issued by the companies

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

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

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

Amortised Cost

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

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

Estimation of Fair Value of Financial Instruments

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

Financial assets

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

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.

(r) 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.

Offsetting financial instruments

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

(s) 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.

(t) 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

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Lease Incentives

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

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

The Group has applied the new PBE Standards on interests in other entities in the current reporting period - PBE IPSAS 34 Separate Financial Statements; PBE IPSAS 35 Consolidated Financial Statements; PBE IPSAS 36 Investments in Associates and Joint Ventures; PBE IPSAS 37 Joint Arrangements and PBE IPSAS 38 Disclosure of Interests in Other Entities.

These standards replace PBE IPSAS 6, PBE IPSAS 7 and PBE IPSAS 8. The key changes introduced by the new standards and the impact on the Group are as follows:

PBE IPSAS 34 Separate financial statements

The Standard locates the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements with no significant changes to the underlying requirements.

No changes have been necessary from implementation of this Standard.

PBE IPSAS 35 Consolidated Financial Statements.

The new standard introduces an amended definition of control and extensive guidance on control (and continues to require all controlled entities to be consolidated in the controlling entity's financial statements, except as noted below).

Application of the standard has not resulted in the consolidation of additional entities.

The standard also introduces the concept of an "investment entity". The standards exempt investment entities from consolidating controlled entities, and require investment entities to recognise controlled entities at fair value through surplus or deficit instead.

This requirement does not apply to the Group, as neither the Parent nor any of its controlled entities meet the definition of an investment entity.

PBE IPSAS 36 Investments in Associates and Joint Ventures

The standard requires increased disclosures regarding judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences another entity.

The new standard did not result in changes in the disclosures of its interests.

PBE IPSAS 37 Joint Arrangements

C—

The standard introduces a new classification of joint arrangements, sets out the accounting requirements for each type of arrangement (joint operations and joint ventures). It requires the use of the equity method in accounting for all interests in associates and joint ventures (eliminating the option of using proportionate consolidation for jointly controlled entities).

The new standard did not result in the reclassification of existing interests.

PBE IPSAS 38 Disclosure of Interests in Other Entities

The standard requires PBEs to disclose information on their interests in other entities, including some additional disclosures that are not currently required under PBE IPSAS 6, PBE IPSAS 7 and PBE IPSAS 8. It requires the disclosure of information that enables users of financial statements to evaluate:
1) the nature of, and risks associated with, interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
2) the effects of those interests on the financial position, financial performance and cash flows.

This has resulted in additional disclosures for the Group regarding the Group's controlled entities, associate and joint arrangement refer notes 10 and 12.

Impairment of revalued assets (amendments to PBE IPSAS 21 and 26)

The amendments bring revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26. The amendments clarify that an impairment of an individual asset outside of the revaluation cycle will not necessitate the revaluation of the entire class of assets to which the impaired asset belongs.

There has been no impact on the Group from implementation of these amendments.

PBE IPSAS 39 Employee benefits

PBE IPSAS 39 replaces PBE IPSAS 25, which is substantially converged with NZ IAS 19. The main changes relate to the removal of options for the recognition and presentation of actuarial gains and losses arising from defined benefit plans and replacing interest cost and expected return on plan assets with a single net interest component.

There has been no impact on the Group from implementation of this Standard.

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 2020.

PBE IPSAS 40 PBE Combinations - effective 1 January 2021

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

PBE IPSAS 41 Financial instruments - effective 1 January 2022

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

3 Operating surplus / (deficit) before subvention and taxation

	Group 2020 $'000	2019 $'000
Other revenue		
Rental income (exchange revenue)	25,885	23,450
Operating Revenue	62,763	67,579
CentrePort income (exchange revenue)	2,773	-
Interest (exchange revenue)	53	193
Operational grants from GWRC (non-exchange revenue)	12,954	11,611
	104,428	102,833
Share of profit of investments using the equity method (including earthquake costs and fair value adjustments)	-	10,220
	104,428	113,053
Fair value gain on financial instruments	-	-
Fair value (loss) gain on CentrePort investment property	108	(1,317)
Expenses, excluding finance costs		
Amortisation	271	167
Employee benefits expense	30,205	27,217
Depreciation	28,395	25,697
Audit services	280	402
Directors fees and expenses	554	525
Management fees	209	151
Repairs and maintenance	18,948	19,035
Rates and Insurance	10,072	9,307
Other operating expenses	37,990	34,139
Tax services	75	52
Consultants- legal	8	18
Rental and lease expenses	2,031	1,133
	129,038	117,843
Finance costs and income		
Interest costs	916	740
Interest received	(5,212)	-
Net finance costs/ (income)	(4,296)	740
Operating surplus before subvention, taxation and earthquake related costs	(20,206)	(6,847)

4 Earthquake Related Items

Kaikoura Earthquake

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

The impact of the earthquake has been reflected in these financial statements with the information available to the date these financial statements are signed.

CentrePort Ltd Claim

During the period ended 30 June 2020, CentrePort Limited reached a full and final settlement on its insurance claim of $472.5m. All insurance proceeds have been received by CentrePort Limited.

CentrePort Properties Ltd Claim

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 $172.5m. All insurance proceeds have been received by CentrePort Properties Limited and allocated to the SPVs as set out in the settlement agreement.

As the SPVs were equity accounted until 31 May 2019, the impact of the earthquake in relation to the SPVs is accounted for separately.

The following table shows the full and final settlement of the insurance claim for the year ended 30 June 2020 for the Group:

	Total Settlement 2017 to 2020				
	Material Damage $'000	Business Interruption $'000	Total $'000	2020 $'000	2019 $'000
Loss of gross profits and rents	-	39,586	39,586	15,502	6,622
Temporary works expenditure and demolition costs	9,958	67,195	77,153	-	24,220
Material damage	394,349	-	394,349	183,580	59,540
Discount for Early Settlement	-	(13,082)	(13,082)	(13,082)	-
Deductible	(10,944)	(2,556)	(13,500)	(13,500)	-
Total insurance income	393,363	91,143	484,506	172,500	90,382
Total insurance income received to date					
Total cumulative insurance income	393,363	91,143	484,506	484,506	312,005
Less progress payments received	(393,363)	(91,143)	(484,506)	(484,506)	(262,005)
Receivable as at 30 June	-	-	-	-	50,000

Impairment of Assets

CentrePort's key infrastructural assets such as wharves and pavements are held at cost less accumulated depreciation and impairments. These assets were subject to technical and engineering assessments following the earthquake to assess whether they were partly damaged or completely destroyed and need to be derecognised. Those assets considered to be destroyed have been completely impaired. CentrePort continues to assess the carrying value of the partially damaged assets for impairment. However, as engineering estimates are not yet finalised the estimates for impairment may be subject to change in future periods.

	2020 $'000	2019 $'000
Asset impairment arising out of the earthquake:		
- Estimated asset impairments relating to damaged or obsolete assets (note 8)	1,199	2,621
- Reversal of Wellington Port Coldstore over-impairment	(381)	
- Impairments and fair value write-down on investment properties (note) owned by CentrePort Properties Limited	-	650
	818	3,271

Port Land

An adjustment of $60.0m (2019: $63.0m) to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. This adjustment is discussed in note 8.

Tax impact

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

5 Taxation

	Group 2020 $'000	2019 $'000
(a) Income tax recognised in profit or loss		
Tax expense / (benefit) comprises:		
Current tax expense / (income)	1,223	2,861
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	5,758	(2,722)
Adjustments recognised in current period in relation to deferred tax in prior periods	(3,224)	80
Tax loss recognised	-	-
Total Tax (benefit) / expense	3,757	219
Tax (benefit) / expense is attributable to:		
Continuing operations	3,757	219

	Group 2020 $'000	2019 $'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	147,045	53,870
	147,045	53,870
Income tax (benefit) / expense calculated at 28%	41,173	15,084
Non-deductible expenses	3,984	4,411
Non-assessable income	(34,075)	(22,871)
Land and buildings reclassification	-	-
(Increase) / decrease in value of developed investment property land	500	(286)
Non-assessable increase / (decrease) in value of land for development	-	-
Tax effect of imputation credits	-	-
Temporary differences	836	4,280
Recognition of deferred tax on buildings	(4,377)	-
Tax loss offsets from or subventions paid to Group companies	-	-
Unused tax losses and tax offsets not recognised	12	(372)
Change in use of assets	(1,072)	-
	6,981	246
(Over) / under provision of income tax in previous period	(3,224)	(26)
Income tax expense	3,757	220
(c) Imputation credit account balances		
Balance at end of the period	15,005	17,230

(d) Tax losses not recognised

WRC Holdings have unrecognised tax losses of $12.66 million (2019: $590,752) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses at 28% is $3.54 million (2019: $165,411).

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 $268.2m of the insurance proceeds to assets that are likely to be deemed to be disposed for tax purposes. All insurance proceeds have now been received and allocated.

The allocation is based on the indemnity value of the key assets considered to be irreparable as a result of the earthquake. This assumption results in non-taxable capital gains in the current year of $108.3m with a tax effect of $30.3m (in the prior year non-taxable capital gains were $59.5m with a tax effect of $16.7m) being the proceeds over and above original cost.

The recovery of historic tax depreciation claimed on the assets deemed to be destroyed has been included in the current tax liability charge. However, amounts in relation to earthquake damaged wharves eligible for roll-over relief have been included as a deferred tax liability (which will reduce the tax base on replacement wharves once completed). The remainder of the proceeds are deemed to be taxable in future years as the related expenditure on repairs will be deductible. A ruling and a factual review are being sought from Inland Revenue on these assumptions.

6 Trade & other receivables

	Group 2020 $'000	2019 $'000
Net trade receivables		
Trade debtors	9,284	8,667
Provision for doubtful debts	(100)	-
	9,184	8,667
Associated entity receivable	-	16
Dividends receivable	-	-
Other receivables	3,371	1,754
Prepayments	3,803	389
Interest receivable	-	224
	16,358	11,050

Provision for doubtful debts

	Group 2020 $'000	2019 $'000
Opening balance	-	285
Amounts written off during the year	-	(285)
Increased in allowance recognised in statement of comprehensive income	100	-
Closing balance	100	-

The average credit period on sales is 30 days.

Included in trade receivables are debtors with a carrying amount of $2.95 million, which are past due at 30 June 2020 (2019: $2.1 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 2020 (2019: Nil).

	Group 2020 $'000	Group 2019 $'000
Kaiwharawhara crushed concrete	**1,225**	781
Spares stock control	**1,419**	933
Fuel and stock control	**82**	118
	2,726	1,832

8 Property, plant and equipment

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Rolling stock $'000	Transport infrastructure $'000	Work in Progress $'000	Total $'000
Cost	53,391	21,901	68,219	65,298	-	383,920	78,429	11,426	702,110
Accumulated depreciation	-	(15,446)	(50,228)	(25,681)	-	(49,658)	(14,351)	-	(166,208)
Net book amount	53,391	6,455	17,991	39,617	-	334,262	64,078	11,426	535,902
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
Additions	-	-	67	6	1,901	4,026	14,058	8,317	28,375
Transfers	-	771	989	1,523	-	-	-	(5,377)	(2,094)
Disposals / written off	-	(66)	-	(861)	(1,452)	(1,559)	(1,486)	-	(5,424)
Revaluation gain / (loss)	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	(2,555)	-	41,994	18,269	-	57,708
Depreciation charge	-	(345)	(1,026)	(5,254)	(111)	(13,398)	(3,041)	-	(23,175)
Depreciation retired	-	-	-	(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
Valuation	-	-	-	-	-	-	-	-	-
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

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 2020									
Opening net book amount	53,391	6,815	18,021	32,099	6,245	365,325	91,878	14,366	588,140
Additions	5,318	-	-	-	-	-	-	22,701	28,019
Transfers	1,912	937	1,204	743	2,685	-	3,683	4,653	15,818
Disposals / written off	-	-	(14)	-	(5)	-	-	-	(19)
Reclassification	3,000	5,300	-	32	(36)	(16,645)	(4,181)	-	(12,530)
Revaluation gain / (loss)	5,918	-	-	-	-	-	-	-	5,918
Impairment	-	(1,199)	-	-	-	-	-	-	(1,199)
Depreciation charge	-	(1,286)	(1,205)	(3,742)	(1,332)	-	-	-	(7,565)
Depreciation retired	-	-	-	(94)	-	-	-	-	(94)
Temporary works depreciation	(7,119)	-	-	-	-	-	-	-	(7,119)
Closing net book amount	62,420	10,568	18,006	29,038	7,558	348,680	91,380	41,721	609,369
At 30 June 2020									
Cost	122,420	36,057	101,505	59,529	21,204	365,325	95,561	41,721	843,322
Accumulated impairment	(60,000)	-	-	-	-	-	-	-	(60,000)
Accumulated depreciation	-	(25,489)	(83,499)	(30,491)	(13,646)	(16,645)	(4,181)	-	(173,951)
Net book amount	62,420	10,568	18,006	29,038	7,558	348,680	91,380	41,721	609,371

Operational Port Land

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

Operational Port Land was independently valued by Colliers International, a registered valuer, on 30 June 2020. The assessed value at that time was $122.4m which was adjusted by $60.0m for estimated Operational Port Land resilience costs, to arrive at fair value for financial reporting purposes. $12.1m of Operational Port Land was reclassified from Commercial Zoned and Other Port Land to Industrial Zoned Land in line with Collier's valuation.

Due to the outbreak of the Coronavirus (COVID-19) there is a material valuation uncertainty regarding the assessed value of the Operational Port Land. Please see the Summary of Significant Accounting Policies for more detail.

	2020 $'000
Industrial Zoned Land	94,725
Commercial Zoned	2,200
Other Port Land	25,495
Total Operational Port Land	122,420
Provision for Resilience	(60,000)
Carrying Value Operational Port Land	62,420
Additions, Transfers, and Disposals of Port Land	-
Carrying Value Operational Port Land 30 June 2020	62,420

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 PBE IPSAS 17 (Property, Plant and Equipment).

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

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

Each leasehold parcel of land is valued using a Capitalised Net Rental approach, where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease. Significant inputs into this valuation approach are:

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

Market rental is assessed using both the:

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

Other key assumptions underlying the valuation are set out below:

- It is assumed that CentrePort will erect a structural sea wall along the reclamation edge to ensure that all sites offer appropriate stability for commercial development. All costs associated with the sea wall are to be borne by CentrePort and have been excluded from the valuer's assessed value. This has been taken into account in the fair value as noted in the "Operational Port Land Resilience" adjustment on page 38.
- All interim income generated from the vacant sites has been disregarded. This income does help offset operating expenses and holding costs however many of the 'vacant' land sales referenced to value the subject land also similarly have existing income pending redevelopment.

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

Industrial Zoned Land	**Assessed Value $'000**	**Valuation approach**	**Key valuation assumptions**	**Valuation impact**
Freehold Land	$88,100	Direct Sales Comparison approach	Weighted average land value - the rate per sqm applied to the subject property. This ranges from $180psqm to $1,500psqm	+/- 5% ($4.4m)
Leasehold Land	$6,600	Capitalised Net Rental approach	Weighted average land value - the rate per sqm applied to the subject property. This ranges from $50psqm to $1,350psqm	+/- 5% ($0.3m)

Valuation Approach Commercial Zoned Land

The fair value of Commercial Zoned Land has been determined in accordance with International Valuation Standards and Australia and New Zealand Valuation and Property Standards. In particular Valuation Guidance Note NZVTIP 2 - Valuations for Real Property, Plant & Equipment for Use in New Zealand Financial Reports and PBE IPSAS 17 (Property, Plant and Equipment).

Commercial Zoned Land is composed of freehold land & buildings and is valued using a combination of the following approaches:

- Market Capitalisation approach - This is where fair value is determined by assessing the property's market ground rental and then capitalising this using an appropriate yield.
- 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.

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.

Commercial Zoned Land	Assessed Value $'000	Valuation approach	Key valuation assumptions	Valuation impact
Freehold Land	$2,200	Market Capitalisation	Market capitalisation rate - the rate of return determined through analysis of comparable, market related sales transactions, which is applied to a property's sustainable net income to derive value. This is set at 9.5%	+-0.125% $0.1m
		Discounted Cashflow	Discount rate - the rate of return used to determine the present value of future cash flows. The rate used was 10.5%	+-0.25% $0.1m

Valuation Approach Other Port Land

The fair value of Other Port Land has been determined in accordance with International Valuation Standards and Australia and New Zealand Valuation and Property Standards. In particular Valuation Guidance Note NZVTIP 2 - Valuations for Real Property, Plant & Equipment for Use in New Zealand Financial Reports and PBE IPSAS 17 (Property, Plant and Equipment).

Other Port Land is made up of land leased out to third parties ("Leasehold Land"). Significant ancillary services are provided to these third parties. Leasehold Land is valued using a combination of the following approaches:

- Capitalised Net Market Rental approach - this is 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.
- Market Capitalisation approach - This is where fair value is determined by assessing the property's market ground rental and then capitalising this using an appropriate yield.
- 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.

Significant inputs into these valuation approaches are:

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

Market ground rental is assessed using the traditional approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

Other key assumptions underlying the valuation are set out below:

- The 2020 rent reviews have not been undertaken or initiated by either party. The valuation assumes the rentals have remained at those levels previously payable.

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

Operational Port Land Resilience

An adjustment of $60.0m (2019: $63.0m) has been made to the fair value of Operational Port Land at 30 June 2020 to recognise the resilience work that needed to be undertaken to support the land and achieve the assessed value determined by Colliers International in their independent valuation. The resilience works costs are estimated with reference to the expected costs for remediation works undertaken for part of the operational port land. $7.2m of remediation works were completed during the year. The land resilience provision was increased by $7.1m for the revised estimate of the cost to complete the remediation works.

There is a significant level of uncertainty attached to the level of adjustment to be recognised for 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.

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 $9.0m.

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 Bayley's 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	4,224	6,899
Accumulated amortisation and impairment	-	(3,687)	(3,687)
Year ended 30 June 2019			
Opening net book amount	2,675	537	3,212
Additions	-	2	2
Transfer from WIP	-	190	190
Disposals	-	(143)	(143)
Amortisation charge	-	(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

Group	Goodwill $'000	Computer software $'000	Total $'000
Opening net book amount	2,675	419	3,094
Additions	-	-	-
Transfers from WIP	-	-	-
Disposals	-	-	-
Amortisation	-	-	-
At 30 June 2020			
Cost	2,675	4,911	7,586
Accumulated amortisation and impairment	-	(4,123)	(4,123)
Net book amount	2,675	788	3,463

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

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 reporting period the recoverable amount of the cash-generating unit (CGU) was determined using the Fair Value less Costs of Disposal method. The calculations use cash flow projections based on financial budgets approved by management. The model uses an estimated terminal growth rate of 1.5% before being discounted to present value using a WACC of 6.0%. No impairment was noted in FY20 (2019: Nil).

10 Investments in subsidiaries

WRC Holdings had the following subsidiaries at 30 June 2020.

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 2020	Equity holding 2019
Port Investments Limited*	Investment management	New Zealand	- %	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%

***Amalgamation of Port Investments Limited**

On 1 April 2020 Port Investments Limited was amalgamated into the Parent using the short-form amalgamation process under the Companies Act 1993. Until the date of amalgamation, Port Investments Limited has been a wholly owned subsidiary of the Parent. Under the amalgamation the Parent took control of all of the assets of Port Investments Limited and assumed responsibility for its liabilities. Port Investments Limited has been removed from the New Zealand register of companies.

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11 Investment Properties

Investment Property

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

The Group has the following classes of Investment Property:
- Developed Investment Property
- Land Available for Development

Valuation Approach

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

Due to the outbreak of the Coronavirus (COVID-19) there is a material valuation uncertainty regarding the assessed value of Investment Property. Please see the Summary of Significant Accounting Policies for more detail.

	Group	
	2020 $'000	2019 $'000
Developed Investment Properties	**29,900**	37,371
Land Available for Development	**30,003**	25,082
	59,903	62,453
Developed Investment Properties		
Developed Investment Property as at 1 July	**37,371**	4,500
Consolidated from SPV's	**-**	29,236
Additions	**1,450**	3,806
Impairments and Fair Value Change (earthquake)	**-**	(757)
Increase / (decrease) in fair value	**(620)**	586
Transfer/ Reclassifications	**(8,300)**	-
	29,901	37,371
Land Available for Development	**25,082**	13,515
Consolidated from SPV's	**-**	7,801
Additions	**4,192**	3,224
Impairments and Fair Value Change (earthquake)	**-**	107
Increase / (decrease) in fair value	**729**	435
	30,003	25,082

Developed Investment Property - Valuation

Developed Investment Property consists of the Customhouse building (2019: Shed 39 and the Customhouse). This property is leased to a third party. Shed 39 was reclassified as Property, Plant & Equipment as at 30 June 2020.

The Developed Investment Property was valued on 30 June 2020 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 ANZVGN 9 - Assessing rental value and PBE IPSAS 16 - Investment Property.

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

- Contract Income approach - This is where fair value is determined by directly capitalising the passing income. This method is effective where income is receivable from a secure tenant, however this is less effective where the current contract rent varies from the assessed market rent due to various factors.
- Market Capitalisation approach - This is where fair value is determined by capitalising the property's market rental at an appropriate yield, and then an allowance is made for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term.
- Discounted Cashflow approach - This is where fair value is determined by a present value of the projected cashflow of the property over a 10 year period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

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 (2019: Harbour Quays Development Land, former BNZ Building, and the former Statistics House).

These were valued on 30 June 2020 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.

Land Available for Development is valued using the following approaches:

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

Other key assumptions underlying the valuation are set out below:

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

After allowing for impairment based on the expected costs to repair or demolish the properties, the fair value of Land Available for Development is $30.0m (2019: $25.1m)

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

Class of Property	Fair Value $'000	Valuation Approach	Significant Input	Range of significant input
Developed Investment Property	$29,900	Contract Income	Capitalisation rate - the rate of return determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value. The rate selected was 8.75%	+- 0.125% $0.5m
		Market Capitalisation	Capitalisation rate - the rate of return determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value. The rate selected was 7.75%	+- 0.125% $0.5m
		Discounted Cashflow	Discount rate - the rate of return used to determine the present value of future cash flows. The rate selected was 8.5%	+-0.25% $0.5m
Land Available for Development	$39,600	Direct Sales Comparison	Weighted average land value - the rate per sqm applied to the subject property. The rates applied ranged from $100 - $2,500 per sqm	+-5% $2.0m
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	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Current						
Cash and cash equivalents	88	60	-	-	88	60
Other current assets (excluding cash)	120	113	-	-	120	113
Total current assets	208	173	-	-	208	173
Other current liabilities (including trade payables)	(149)	(118)	-	-	(149)	(118)
Total current liabilities	(149)	(118)	-	-	(149)	(118)
Non-current						
Non-current assets	87	77	-	-	87	77
Total non-current assets	87	77	-	-	87	77
Financial liabilities	(800)	(510)	-	-	(800)	(510)
Total non-current liabilities	(800)	(510)	-	-	(800)	(510)
Net assets	(654)	(378)	-	-	(654)	(378)

Summarised statement of comprehensive income

	Port Associates		Property Associates		Total	
	2020	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**1,152**	1,236	-	4,362	**1,152**	5,598
Operating expenses	**(1,427)**	(1,336)	-	(3,067)	**(1,427)**	(4,403)
Net finance cost	-	-	-	(11,910)	-	(11,910)
	(275)	(100)	-	(10,615)	(275)	(10,715)
	-	-	-	-	-	-
Earthquake Related Items						
Costs and impairments	-	-	-	(154)	-	(154)
Insurance income	-	-	-	21,384	-	21,384
Post-tax profit from continuing operations	(275)	(100)	-	10,615	(275)	10,515
Income tax (expense)/ benefit	-	-	-	(329)	-	(329)
Prior period adjustment	-	(33)	-	-	-	(33)
	(275)	(133)	-	10,286	(275)	10,153
Fair value adjustments	-	-	-	-	-	-
	(275)	(133)	-	10,286	(275)	10,153
Dividends received from joint venture or associate	-	-	-	-	**500**	1,200

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	
	2020	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Opening net assets 30 June	**(378)**	(245)	-	74,706	**(378)**	74,461
Profit/(loss) for the year	**(275)**	(133)	-	10,286	**(275)**	10,153
SPV's	-	-	-	(84,992)	-	(84,992)
Dividend	-	-	-	-	-	-
Closing net assets	(653)	(378)	-	-	(653)	(378)
Interest in joint venture	(327)	(189)	-	-	(327)	(189)
Carrying value	(327)	(189)	-	-	(327)	(189)

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 2020	2019
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 2020 $'000	2019 $'000
Carrying amount at beginning of year	-	74,584
Share of profit / (loss) of joint ventures	(138)	10,220
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	(138)	(189)
Other Joint Venture Companies	-	-

13 Redemption of Mandatory Convertible 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 $85m and the loss recognised as a result of remeasuring the equity interest to fair value amounted to $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	36,873
Trade payables	(312)
Income tax payable	(84)

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13 Redemption of Mandatory Convertible Notes (continued)

Income in advance	(274)
Deferred tax liabilities	-
Net identifiable 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 of the SPV's net assets.

(b) *Purchase consideration – cash outflow*

	2019 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	-
Less: Balances acquired	
Cash	47,944
	47,944
Net outflow of cash – investing activities	

(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

The balance comprises temporary differences attributable to:

	Group 2020 $'000	2019 $'000
Tax losses	16,078	14,169
Temporary differences	(128,064)	(123,620)
Net Deferred Tax	(111,986)	(109,451)

Unrecognised deferred tax balances

	Group 2020 $'000	2019 $'000
Tax losses	-	-
Unused tax credits	-	-
Temporary differences	-	-
	-	-

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 2018	385	(76,977)	2,394	80	11,208	(32,309)	(95,219)
Charged to income	(743)	(694)	(818)	(80)	2,961	2,016	2,642
Change in tax rate	-	(16,874)	-	-	-	-	(16,874)
At 30 June 2019	(358)	(94,545)	1,576	-	14,169	(30,293)	(109,451)

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 2019	(358)	(94,545)	1,576	-	14,169	(30,293)	(109,451)
Charged to income	358	2,147	(767)	-	1,909	(6,182)	(2,535)
At 30 June 2020	-	(92,398)	809	-	16,078	(36,475)	(111,986)

15 Interest bearing liabilities

	Group 2020 $'000	2019 $'000
Non-current		
Borrowings	44,000	44,000
Total non-current interest bearing liabilities	44,000	44,000
Total interest bearing liabilities	44,000	44,000

Loan from Greater Wellington Regional Council

WRC Holdings Limited has a loan of $44 million (2019: $44mil) received from its parent entity Wellington Regional Council. The interest rate at 30 June 2020 is 1.0175% (2019: 2.4175%) 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.

	Group 2020 $'000	2019 $'000
Cash at bank and in hand	250,055	91,729
Cash and cash equivalents	250,055	91,729

17 Employee entitlements

	Group 2020 $'000	2019 $'000
Current		
Employee benefits	5,508	3,695
Non-current		
Employee benefits	357	282
Total Provisions	5,865	3,977

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date when it is probable that settlement will be required and they are capable of being measured reliably. The present value is determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

The rate used for discounting the provision for future payments is 1.4% (2019: 2.5%).

CentrePort has also accrued for restructuring costs as a result of a staffing review and change process due to COVID-19. Please see note 2(b).

18 Equity

	Group 2020 $'000	2019 $'000
(a) Share capital		
Ordinary shares		
50,000,000 $1 shares uncalled	-	-
34,541,100 $1 shares, fully paid	34,541	34,541
22,170,000 $1 shares, fully paid	22,170	22,170
5,309,283 $1 shares fully paid	5,309	5,309
170,200,000 $1 shares, fully paid	170,200	170,200
8,000,000 $1 shares, fully paid	8,000	8,000
11,250,000 $1 shares, fully paid	11,250	11,250
6,700,000 $1 shares, fully paid	6,700	6,700
10,100,000 $1 shares fully paid	10,100	10,100
19,000,000 $1 shares, partly paid	17,874	874
3,500,000 $1 shares uncalled	-	-
Redeemable Preference Share Capital		
25,000 $1000 shares, paid to 1 cent	-	-
Total share capital	286,144	269,144

19 Non-controlling interest

	Group 2020 $'000	2019 $'000
Opening Balance at 01 July	70,034	54,110
Share of operating surplus / (deficit)	36,566	16,848
Share of dividends paid or payable	(1,154)	(924)
Share of movements in revaluation reserve	(277)	-
Balance of Non-controlling Interest at 30 June	105,169	70,034

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

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

	Group 2020 $'000	2019 $'000
Net (deficit) / surplus after tax	**143,288**	53,651
Add / (less) non-cash items:		
Depreciation	**28,475**	26,074
Amortisation	**285**	166
Impairment / written off of fixed assets	**1,198**	-
Gain on disposal of fixed asset	-	1,814
(Gain) / loss on sale of property, plant & equipment	-	523
Loss on fair value movement financial instruments	-	-
Revaluation loss on rail assets	-	-
Write down / (up) of investment properties	**(108)**	(1,021)
Earthquake related costs	-	3,271
Equity accounted earnings from associate companies	-	(10,220)
Deferred tax liability	-	-
Deferred tax liability	**(6,851)**	(340)
Change in provision for doubtful debt	-	-
Add / (less) movements in working capital:		
Accounts receivable	**(5,501)**	(1,183)
Prepayment	-	38
Accounts payable	**(1,249)**	1,859
Insurance receivable	**50,000**	9,268
Dividends receivable	-	-
Inventory	**(894)**	(481)
Borrowings	-	-
Taxation - refund/payable	**(2,295)**	2,737
Prov for tax/other movements	-	(1,093)
Current account - Greater Wellington Regional Council	-	-
Deferred tax	**9,540**	(1,208)
Employee entitlements	**1,888**	(191)
Working capital on WPCL acquisition	-	-
Add / (less) items classified as investing and financing activities:		
Accounts payable related to property, plant and equipment	**(1,782)**	(619)
Accounts receivable related to property, plant and equipment	-	(433)
Insurance progress payment schedule	**(206,998)**	(68,804)
Prepayments related to property plant and equipment	**3,583**	-
Other	**141**	(1,136)
Net cash inflow from operating activities	**12,720**	12,672
	-	-

21 Financial risk management

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

Capital risk management

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

Externally imposed capital requirements

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

(a) Market risk

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

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

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 $2,060,000 (2019: +/- $477,000).

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2020 and 30 June 2019.

	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 2020										
Trade and other payables			15,696	-	-	-	-	-	15,696	15,696
Payables to employees			5,508	357	-	-	-	-	5,865	5,865
Debt	1.73	1.02	-	44,000	-	-	-	-	-	44,000
Total			21,204	44,357	-	-	-	-	21,561	65,561
Group 2019										
Trade and other payables			17,037	-	-	-	-	-	17,037	17,037
Payables to employees			3,695	282	-	-	-	-	3,977	3,977
Debt	2.46	2.42	-	-	44,000	-	-	-	-	44,000
Total			20,732	282	44,000	-	-	-	21,014	65,014

(b) Credit risk

(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

There is no exposure to credit risk from insurance receivables as at 30 June 2020 (2019: 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 & Poor's is rated A+ and above as at the date of these financial statements.)

Commercial Paper Investment credit risk

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

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 2020, the Group had not entered into any significant forward contracts. (2019: 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. The group terminated its banking facilities of $50 million during the year (2019: $50 million). To reduce the exposure to liquidity risk the Group has a bank overdraft facility of $2 million through a set off arrangement, (2019: $2 million). The bank overdraft facility of $2 million has not been utilised as at 30 June 2020 (2019: nil).

Liquidity profile of financial instruments

The following tables detail the groups liquidity profile based on undiscounted cash outflows at 30 June 2020 and 30 June 2019, assuming future interest cost on borrowings at 1.0175% (2019: 2.417%).

Group - At 30 June 2020	Less than One Year	1-2 Years	2-5 Years	5+ Years	Total
	$'000	$'000	$'000	$'000	$'000
Financial liabilities					
Trade and other payables	15,696	-	-	-	15,696
Payables to employees	5,508	-	-	-	5,508
Borrowings	448	44,149	-	-	44,597
Total	21,652	44,149	-	-	65,801
Group - At 30 June 2019					
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

(d) Financial instruments by category

Assets	Loans and receivables $'000	At fair value through other comprehensive income $'000	Total $'000
Group			
At 30 June 2020			
Cash and cash equivalents	250,055	-	250,055
Trade and other receivables	16,357	-	16,357
Current account - Wellington Regional Council	7,568	-	7,568
Other financial assets	19,726	-	19,726
	293,706	-	293,706
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

Liabilities	Financial liabilities at amortised cost $'000	Total $'000
Group		
At 30 June 2020		
Trade and other payables	15,695	15,695
Borrowings	44,000	44,000
	59,695	59,695
At 30 June 2019		
Trade and other payables	17,037	17,037
Borrowings	44,000	44,000
	61,037	61,037

22 Commitments

Capital commitments

At balance date CentrePort had entered into commitments for the acquisition of property, plant, and equipment amounting to of $10.1m for the Group (2019: $11.7m).

Greater Wellington Rail at balance date had commitments in respect of contracts for capital expenditure of $63.3 million (2019: $68 million). This relates to the heavy maintenance of rolling stock.

Leases

Operating Leases as a Lessee

Disclosure for Lessees

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

	Group	
	2020	2019
	$'000	$'000
Not longer than 1 Year	**227**	332
Longer than 1 Year and not longer than 5 Years	**615**	952
Longer than 5 Years	**333**	476
	1,175	1,760

Operating Leases as a Lessor

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

	Group	
	2020	2019
	$'000	$'000
Not later than 1 Year	**18,139**	18,056
Later than 1 Year and not later than 5 Years	**53,241**	56,694
Later than 5 Years	**8,133**	20,291
	79,513	95,041

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 the Group would have adopted in dealing with the party at arm's length in the same circumstances.

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

Key management personnel compensation

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

	Group	
	2020	2019
	$'000	$'000
Short term employee benefits	**4,015**	4,246
Total key management personnel compensation	**4,015**	4,246

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

24 Explanation of major variances against budget- to update

Statement of comprehensive revenue and expenses	Group Actual 2020 $'000	Group Budget 2020 $'000
Revenue		
Operating revenue	104,432	102,636
Finance income	5,208	4,548
Share of associate profit	-	-
Earthquake related (costs)/recoveries	167,250	193,369
Fair value movements	108	-
Total revenue	276,998	300,553
Expenditure		
Finance costs	(916)	(1,060)
Operational Expenditure	(129,036)	(110,131)
Surplus / (deficit) for the year before tax	147,047	189,362
Income tax expense/(credit)	(3,757)	(752)
Surplus / (deficit) after tax	143,290	190,114
Other comprehensive income	(1,201)	-
Total comprehensive income / (deficit) for the year	142,088	190,114

Balance sheet		
Assets	-	-
- Current	296,432	314,391
- Non-current	689,625	594,861
Total assets	986,057	909,252
Liabilities		
- Equity	791,098	744,662
- Current liabilities	21,729	33,669
- Non-current liabilities	173,230	130,921
Total equity and liabilities	986,057	909,252

Statement of cash flow		
Cashflows from operating activities	12,720	18,837
Cashflows from investing activities	135,229	99,818
Cashflows from financing activities	10,377	16,867
	-	-
Net increase / (decrease) in cash, cash equivalents and bank overdraft	158,326	135,522
Cash and cash equivalents at the beginning of the year	91,729	84,810
Cash and cash equivalents at the end of the year	250,055	220,332

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

Significant components of this variance are:

1. Revenue and expenses

The main drivers for the lower revenue compared to budget are:

- lower insurance receipts in CentrePort. This is due to $50million insurance income having being recognised as revenue in 2019;
- lower revenue in CentrePort due lower volumes as a result of the COVID-19 lockdown;

Expenditure in CentrePort was higher than budget due to increased cost of working previously in temporary Works and consolidation of D4 expenses (previously an equity accounted associate).

2. Assets and liabilities

Total assets are higher primarily due to the insurance proceeds reflected in the higher cash balances in CentrePort. Property plant and equipment balances in CentrePort due to capital spend on port regeneration and transfer in of Shed 39.

3. Cash flows

Investing cashflows are higher than budget due to insurance receipts relative to capex spent in CPL.

25 Contingencies

The following contingent liabilities existed at 30 June 2020:

Contingent Liabilities

During the reporting period a former contractor instigated proceedings against CentrePort for the alleged unlawful suspension, and then termination, of their contract in relation to a health and safety incident that occurred on the 2nd of October 2019. The total amount claimed by the contractor is $1.1m. CentrePort incurred $220k of costs relating to this incident that is believed to be recoverable from the contractor. The company's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been made in these financial statements as Management does not consider a present obligation exists for which an outflow of economic benefits is probable (2019: No contingent liabilities). (2019: Nil).

Contingent Asset
The parent company has uncalled capital with its owner Greater Wellington Regional Council of $50 million (2019: $50 million)

There are no other contingent assets within the group (2019: 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 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

Subsequent to balance date CentrePort entered into a $15.0m debt facility with New Zealand Green Investment Finance (NZGIF) to accelerate investment into low carbon projects. On 3 July 2020 CentrePort borrowed $3.5m from NZGIF under this facility.

No dividend was declared post balance date by WRC Holdings (2019: Nil).

Compliance

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

Responsibility

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

The Directors have authority to sign these financial statements.

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

In the opinion of the Directors and management of the Group, the annual financial statements and the statement of service performance for the year ended 30 June 2020 fairly reflect the financial position and operations of the Group.

Director	Director	Chief Financial Officer
November 30, 2020	November 30, 2020	November 30, 2020

Auditors' report

To the shareholders of WRC Holdings Limited