

**PORT INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

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**PORT INVESTMENTS LTD
DIRECTORY**

Directors

S A Macaskill
A E McQueen
A M Lawson
J W Rowe
Hon M K Shields

Secretary

E P Maguire

Registered Office

142- 146 Wakefield Street
Wellington

Auditors

Audit New Zealand
on behalf of the Controller and Auditor-General

Solicitors

Chapman Tripp Sheffield Young

Bankers

The National Bank of New Zealand Limited

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**PORT INVESTMENTS LIMITED
DIRECTORS' REPORT**

The Directors have pleasure in submitting their 1999 Annual Report and Financial Statements.

Principal Activities

Port Investments Ltd is an investment vehicle of the Wellington Regional Council. The object of the company is to effectively manage any investments held to maximise the commercial value to shareholders while protecting the shareholder's long term interests.

76.9% of CentrePort Limited (Previously named Port Wellington Limited) was purchased by Port Investments Limited from the Wellington Regional Council on the 28 October 1998.

| Results and Distributions | 1999 | 1998 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Net surplus (deficit) after tax for the financial year | 7,591 | (13) |
| Dividend distribution | 6,000 | - |

Directors

The Hon M K Shields was made a director on 17 June 1999 in her capacity as Deputy Chair of the Wellington Regional Council.

Disclosure of Interests by Directors

S A Macaskill
Chairman of the Wellington Regional Council

A E McQueen
Councillor of the Wellington Regional Council

A M Lawson
None

J W Rowe
None

Hon M K Shields
Deputy Chair of the Wellington Regional Council

Directors' Interest Register

Directors have had no interest in any transaction or proposed transaction of the company.

Directors' Use of Company Information

There were no notices from Directors requesting use of company information received in their capacity as Directors which would not have otherwise been available to them.

Directors' Indemnity and Insurance

The company's parent company, WRC Holdings Limited, has arranged insurance to indemnify the Directors against any liability resulting from any act or omission in their capacity as Directors.

Directors' Remuneration

Details of Directors' remuneration are as follows:

| | |
|-----------------|-----|
| S A Macaskill | Nil |
| A E McQueen | Nil |
| A M Lawson | Nil |
| J W Rowe | Nil |
| Hon M K Shields | Nil |

For and on behalf of the Board

Director *James W Rowe*
 Director *S A Macaskill*

Date: *29/09/99*

Date: *29/9/99*

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Jul

PORT INVESTMENTS LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 1999

| | Note | 1999 \$000 | 1998 \$000 |
|---|------|---------------|---------------|
| REVENUE | | | |
| Interest income | | 32 | |
| Convertible Note Interest | | 313 | |
| Dividends | | 8,190 | |
| TOTAL REVENUE | | <u>8,535</u> | |
| OPERATING EXPENSES | | | |
| Audit fees | 8 | 7 | 1 |
| Interest on WRC Holdings Limited Advance | | 1,199 | |
| Legal fees | | | 1 |
| Management fees | | 4 | 4 |
| Professional fees | | 23 | 6 |
| Other expenses | | - | 1 |
| TOTAL EXPENSES | | <u>1,233</u> | <u>13</u> |
| NET OPERATING SURPLUS (DEFICIT) | | 7,302 | (13) |
| Taxation expense (Credit) | 5 | (289) | |
| NET SURPLUS (DEFICIT) FOR THE YEAR | | <u>7,591</u> | <u>(13)</u> |

PORT INVESTMENTS LTD
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 1999

| | 1999 \$000 | 1998 \$000 |
|---|---------------|---------------|
| EQUITY AT START OF THE YEAR | (27) | (14) |
| Net Surplus (deficit) for the year | <u>7,591</u> | <u>(13)</u> |
| Total recognised revenues and expenses for the year | 7,591 | (13) |
| Distributions to owners during the period | (6,000) | - |
| EQUITY AT END OF THE YEAR | <u>1,564</u> | <u>(27)</u> |

The accompanying notes and accounting policies form part of these financial statements.

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PORT INVESTMENTS LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 1999

| | 1999 | 1998 |
|---|------------------|-----------------|
| Note | \$000 | \$000 |
| EQUITY | | |
| Ordinary share capital | 2 | |
| Retained Earnings | 1,564 | (27) |
| TOTAL EQUITY | <u>1,564</u> | <u>(27)</u> |
| | | |
| Represented by: | | |
| | | |
| NON-CURRENT ASSETS | | |
| Investment in Subsidiaries | 3 | |
| TOTAL NON-CURRENT ASSETS | <u>40,800</u> | |
| | | |
| CURRENT ASSETS | | |
| Bank & short term deposits | 1 | |
| Dividends Receivable | 1,267 | |
| Current account - Wellington Regional Council | 4 | |
| TOTAL CURRENT ASSETS | <u>7,818</u> | |
| TOTAL ASSETS | <u>48,618</u> | |
| | | |
| NON-CURRENT LIABILITIES | | |
| Advance from WRC Holdings Limited | 4 | |
| TOTAL NON-CURRENT LIABILITIES | <u>40,800</u> | |
| | | |
| CURRENT LIABILITIES | | |
| Creditors | 254 | |
| Dividends Payable | 6,000 | |
| Current account - Wellington Regional Council | | 27 |
| TOTAL CURRENT LIABILITIES | <u>6,254</u> | <u>27</u> |
| TOTAL LIABILITIES | <u>47,054</u> | <u>27</u> |
| NET ASSETS | <u>1,564</u> | <u>(27)</u> |

For and on behalf of the Board

Director *James McInnes*
Director *Donald McInnes*

Date: 29/09/99
Date: 29/9/99

AM
JM
EM

The accompanying notes and accounting policies form part of these financial statements.

PORT INVESTMENTS LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1999

| | Note | 1999 \$000 | 1998 \$000 |
|--|------|-----------------|---------------|
| Cash flows from operating activities: | | | |
| Cash was provided from: | | | |
| Dividends Received | | 6,923 | |
| Interest Received | | 313 | |
| Subvention Advance Received | | 319 | |
| Cash was applied to: | | | |
| Interest Paid | | <u>(952)</u> | |
| Net cash flow from operating activities | 6 | <u>6,603</u> | |
| Cash flows from investing activities: | | | |
| Cash was applied to: | | | |
| Investments in Shares in subsidiaries | | <u>(40,800)</u> | |
| Net cash flow from investing activities | | <u>(40,800)</u> | |
| Cash flows from financing activities : | | | |
| Cash was provided from: | | | |
| Movement in current account -Wellington Regional Council | | - | 45 |
| Advances from WRCH | | 40,800 | |
| Cash was applied to: | | | |
| Movement in current account -Pringle House Limited | | - | (45) |
| Movement in current account -Wellington Regional Council | | <u>(6,602)</u> | |
| Net cash flow from financing activities | | <u>34,198</u> | |
| Net increase (decrease) in cash held | | <u>1</u> | |
| Add opening cash brought forward | | | |
| Closing cash carried forward | | <u><u>1</u></u> | |

The accompanying notes and accounting policies form part of these financial statements.

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PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Port Investments Limited is registered under the Companies Act 1993 and is a wholly owned subsidiary of WRC Holdings Limited, which in turn is a wholly owned subsidiary of the Wellington Regional Council.

The company is a Local Authority Trading Enterprise as defined in S594 of the Local Government Act 1974. The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 1974.

MEASUREMENT BASE

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the company.

REVENUE RECOGNITION

Interest income is recognised as it is earned and dividend income is also recognised on an accrual basis.

ACCOUNTING POLICIES

The following accounting policies which materially affect the Financial Statements have been applied.

(a) Income Tax

The income tax expense charged to the statement of financial performance includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible costs.

Deferred taxation is accounted for using the liability method on a comprehensive basis in respect of those timing differences expected to reverse in the foreseeable future. A deferred tax benefit relating to tax losses is only recognised if there is virtual certainty of realisation.

(b) Investments

Investments in subsidiaries are valued at the lower of cost or net realisable value

(c) Financial Instruments

The company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors and creditors and are detailed in the Statement of Financial Position. Revenue and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies from those adopted in the last audited financial statements.



PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

2. SHARE CAPITAL

| | 1999 | 1998 |
|---|-------|-------|
| | \$000 | \$000 |
| Authorised and issued capital | | |
| 10,000,100 ordinary shares of \$1 each issued but uncalled. | | |

3. INVESTMENT IN SUBSIDIARIES

| | 1999 | 1998 |
|--------------------|--------|-------|
| | \$000 | \$000 |
| CentrePort Limited | 40,800 | |

The estimated value of the company's 76.9% holding in CentrePort Ltd at 30 June 1999 is \$48 Million.

4. RELATED PARTY DISCLOSURES

S A Macaskill receives a salary from the Wellington Regional Council. A E McQueen and M K Shields are entitled to a daily allowance of \$180 for attending WRC Holdings Group meetings on those days where they are not receiving an allowance for attendance at a Wellington Regional Council meeting. During 1998/99 A M Lawson and J W Rowe were also entitled to a daily allowance of \$180 for attending WRC Holdings Group meetings. Such meeting fees are paid for by WRC Holdings Limited.

The company pays a management fee to the Wellington Regional Council for administrative and management services, meeting expenses and travel reimbursement.

The company has on advance to the Wellington Regional Council \$6,550,000 on which interest is payable, the advance has no fixed repayment term.

The company has an unsecured advance facility of \$40.8m with its parent WRC Holding Limited. The facility matures on 28 October 20 18. The interest rate charged on the facility as at 30 June 1999 was 5.04% p.a.

During the year the company has received dividends, convertible note interest and subvention advances from its subsidiary, CentrePort Limited.

PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

5. TAXATION

| | 1999 \$000 | 1998 \$000 |
|---|----------------|---------------|
| Net surplus (deficit) before taxation | 1,302 | (13) |
| Prima facie tax expense @ 33% | 2,410 | (4) |
| Adjusted for permanent differences | | |
| Non-deductible expenditure | 5 | 3 |
| Non assessable income | (418) | |
| 1998 tax loss recognised | (1) | |
| Tax loss not recognised | | 1 |
| Imputation credits | (2,285) | |
| Taxation expense / (credit) | (289) | |

This Taxation Expense is represented by:

| | |
|-------------------------|-------|
| Current Year Taxation | (289) |
| Future Taxation Benefit | - |

In 1998 the company had tax losses of \$4,936 available to be carried forward and offset against taxable income in the future. The tax effect of these losses was \$1,629.

In 1999 the company and **CentrePort** Limited entered into a Tax Loss Sharing Agreement under which the company will receive a subvention payment from **CentrePort** Limited equivalent to 33% of its available losses with the balance of losses offset with **CentrePort** Limited. The tax credit for the year represents the receivable due from **CentrePort** Limited for the current year losses. **CentrePort** Limited have currently advanced \$3 19,069 on account of the subvention payment.

The company has obtained a legally binding Private Ruling from the Inland Revenue that confirms the deductibility of interest payments made on the company's loan from WRC Holdings Limited.

Imputation Credit Account

| | 1999 \$000 | 1998 \$000 |
|------------------------|---------------|---------------|
| Opening balance | | |
| Dividends Received | 3,410 | |
| Closing balance | 3,410 | |

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PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

6. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET SURPLUS (DEFICIT) AFTER TAX

| | 1999 \$000 | 1998 \$000 |
|--|---------------|---------------|
| Net surplus (deficit) after taxation | 7,591 | (13) |
| Add (less) movement in working capital: | | |
| (Increase) decrease in debtors | (1,267) | (7) |
| Increase (decrease) in creditors | 6,254 | (25) |
| (Increase) decrease in current account - WRC | (6,577) | |
| (Increase) decrease in current account - Pringle House Limited | | 45 |
| Add (less) items classified as financing activities: | | |
| Decrease in PIL current account relating to financing activities | | (45) |
| Increase in WRC current account relating to financing activities | 602 | 45 |
| Net cash flow from operating activities | <u>6,603</u> | |

7. KEY PERFORMANCE TARGETS - Statement of Corporate Intent

Key performance targets are set for the WRC Holdings Limited Group as a whole and are reported on in the WRC Holdings Limited 1999 Annual Report and Financial Statements.

8. AUDITORS REMUNERATION

| | 1999 \$000 | 1998 \$000 |
|--|---------------|---------------|
| Fees to auditors for audit of financial statements | 7 | 1 |
| Fees to auditors for other services | | |
| | <u>7</u> | <u>1</u> |

9. CONTINGENT LIABILITIES & ASSETS

The contingent liabilities and assets of the company at 30 June 1999 were nil (30 June 1998: nil)

10. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided was nil (30 June 1998: nil)



Audit New Zealand

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF PORT INVESTMENTS LIMITED FOR THE YEAR ENDED 30 JUNE 1999

We have audited the financial statements and performance information on pages 5 to 11. The financial statements provide information about the past financial performance of Port Investments Limited and its financial position as at 30 June 1999. This information is stated in accordance with the accounting policies set out on page 8.

Responsibilities of the Board of Directors

The Local Government Act 1974 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of Port Investments Limited as at 30 June 1999 and the results of its operations and cash flows for the year ended 30 June 1999.

Auditor's responsibilities

Section 594ZC of the Local Government Act 1974 requires the Audit Office to audit the financial statements and performance information presented by the Board. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and the performance information and report its opinion to you.

The Controller and Auditor-General has appointed E M Mason, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and performance information. It also includes assessing:

- ▲ the significant estimates and judgements made by the Board in the preparation of the financial statements and performance information *and*
- ▲ whether the accounting policies are appropriate to Port Investments Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Port Investments Limited.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- ▲ proper accounting records have been kept by Port Investments Limited as far as appears from our examination of those records *and*
- ▲ the financial statements of Port Investments Limited on pages 5 to 11:
 - comply with generally accepted accounting practice *and*
 - give a true and fair view of:
 - the financial position as at 30 June 1999 *and*
 - the results of its operations and cash flows for the year ended on that date *and*

Our audit was completed on 29 September 1999 and our unqualified opinion is expressed as at that date.

EMason

E M Mason
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

