

**PORT INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

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**PORT INVESTMENTS LTD
DIRECTORY**

Directors

Hon M K Shields
T J McDavitt
F R Long
S A Macaskill
A Blackburn

Secretary

W J Hastie

Registered Office

142-146 Wakefield Street
Wellington

Auditors

Audit New Zealand
on behalf of the Auditor-General

Solicitors

Chapman Tripp

Bankers

The National Bank of New Zealand Limited

**PORT INVESTMENTS LIMITED
DIRECTORS' REPORT**

The Directors have pleasure in submitting their 2003 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, in order to maximise the commercial value to shareholders, while protecting the shareholder's long term interests.

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

Results and Distributions	2003 \$000	2002 \$000
Net surplus (deficit) after tax for the financial year	<u>813</u>	1,658
Dividend distribution	<u>813</u>	<u>1,700</u>

Disclosure of Interests by Directors

Hon M K Shields
Chairperson of the Wellington Regional Council

T J McDavitt
Deputy Chairperson of the Wellington Regional Council

F R Long
Councillor of the Wellington Regional Council

S A Macaskill
Former Chairperson of the Wellington Regional Council

A Blackburn
None

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:

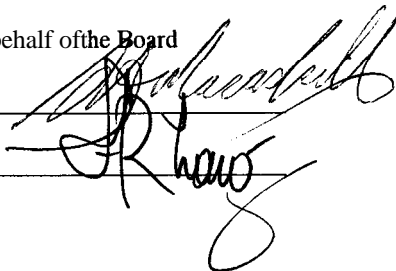
	\$
Hon M K Shields	Nil
T J McDavitt	Nil
F R Long	Nil
S A Macaskill	\$4,000
A Blackburn	\$4,000

Auditor

The Auditor-General continues in office in accordance with Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. 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 A Shaw of Audit New Zealand to undertake the audit.

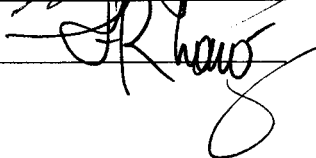
For and on behalf of the Board

Director



Date: 30 September 2003

Director



Date: 30 September 2003

PORT INVESTMENTS LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002
Note	\$000	\$000
REVENUE		
Interest income	101	91
Dividend income	2,662	3,385
TOTAL REVENUE	<u>2,163</u>	<u>3,476</u>
OPERATING EXPENSES		
Audit fees	2	2
Bank Fees	1	1
Insurance	4	
Interest on WRC Holdings Limited advance	2,774	2,583
Legal fees		3
Management fees	63	61
Professional fees	7	7
Directors fees	4 8	12
TOTAL EXPENSES	<u>2,859</u>	<u>2,669</u>
NET OPERATING SURPLUS /(DEFICIT)	(96)	807
Taxation (expense)/credit	5 909	851
NET SURPLUS /(DEFICIT) FOR THE YEAR	<u><u>813</u></u>	<u><u>1,658</u></u>

PORT INVESTMENTS LTD
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002
	\$000	\$000
Net surplus / (deficit) for the year	813	1,658
Distributions to owners during the year	(813)	(1,700)
MOVEMENTS IN EQUITY FOR THE YEAR		(42)
Equity as at 1 July 2002	1,533	1,575
EQUITY AS AT 30 JUNE 2003	<u><u>1,533</u></u>	<u><u>1,533</u></u>

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

PORT INVESTMENTS LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	2003	2002
Note	5000	\$000
EQUITY		
Ordinary share capital	2	
Retained earnings	1,533	1,533
TOTAL EQUITY	1,533	1,533
 Represented by:		
CURRENT ASSETS		
Bank and short term deposits	1	1
Subvention receivable	34	46
Dividends receivable	1,385	308
Current account - Wellington Regional Council	4	3,244
TOTAL CURRENT ASSETS	2,694	3,599
 NON-CURRENT ASSETS		
Investment in subsidiaries	3	44,000
TOTAL NON-CURRENT ASSETS	44,000	44,000
TOTAL ASSETS	46,694	47,599
 CURRENT LIABILITIES		
Payables	348	366
Dividends payable	813	1,700
TOTAL CURRENT LIABILITIES	1,161	2,066
 NON-CURRENT LIABILITIES		
Advance from WRC Holdings Limited	4	44,000
TOTAL NON-CURRENT LIABILITIES	44,000	44,000
TOTAL LIABILITIES	45,161	46,066
NET ASSETS	1,533	1,533

For and on behalf of the Board

Director

Date: 30 September 2003

Director

Date: 30 September 2003

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 2003

	Note	2003 \$000	2002 \$000
Cash flows from operating activities:			
Cash was provided from:			
Dividends received		1,584	3,231
Subvention advances received		921	834
Cash was applied to:			
Interest paid		(2,795)	(2,586)
Net cash flows from operating activities	6	<u>(290)</u>	<u>1,479</u>
Cash flows from financing activities :			
Cash was provided from:			
Movement in current account -Wellington Regional Council		1,990	(379)
Cash was applied to:			
Dividend paid to WRC Holdings Limited		(1,700)	(1,100)
Net cash flows from financing activities		<u>290</u>	<u>(1,479)</u>
Net increase /(decrease) in cash held		-	
Add opening cash brought forward		<u>1</u>	<u>1</u>
Closing cash carried forward		<u>1</u>	<u>1</u>

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

PORT INVESTMENTS LTD
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2003

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 council controlled trading organisation as defined in S6 of the Local Government Act 2002. The financial statements are presented in accordance with the requirements of the Companies Act 1993, Financial Reporting Act 1993 and the Local Government Act 2002.

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.

ACCOUNTING POLICIES

The following accounting policies which materially affect the financial statements have been applied.

(a) Income Tax

The tax credit for the year represents the payments received or receivable from other group companies for income tax losses transferred to those companies.

Deferred taxation has been calculated using the liability method on a comprehensive basis. A deferred tax benefit is only recognised if there is virtual certainty of realisation.

(b) Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

(c) Investments

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

(d) 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.

(e) Revenue Recognition

Interest income and dividend income are recognised on an accrual basis.

(f) Changes in Accounting Policies

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

PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

2. SHARE CAPITAL

2003	2002
\$000	5000

Authorised and issued capital

10,000,100 ordinary shares of \$1 each issued but uncalled.

3. INVESTMENT IN SUBSIDIARIES

2003	2002
5000	\$000

CentrePort Limited

44,000	44,000
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The estimated value of the Company's 76.9% holding in CentrePort Ltd at 30 June 1999 was 548 million.

4. RELATED PARTY DISCLOSURES

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

At 30 June 2003 the Company has on advance to the Wellington Regional Council \$1.27 m (30 June 2002 \$3.24 m).

The interest rate charged on the facility as at 30 June 2003 was 5.34% p.a. (30 June 2002 5.70%).

The advance has no fixed repayment term.

The Company has an unsecured advance facility of \$44,000,000 with its parent WRC Holdings Limited. The facility matures on 28 October 2018. The interest rate charged on the facility as at 30 June 2003 was 5.95% p.a. (30 June 2002 6.30%).

During the year the Company has received dividends and subvention advances from its subsidiary, CentrePort Limited.

All other transactions with related parties have been carried out on normal commercial terms.

Directors Fees:

The Hon M K Shields received a salary from the Wellington Regional Council.

Messrs T J McDavitt and F R Long were entitled to a daily allowance of \$195 for attending WRC Holdings Group meetings on those days where they are not receiving an allowance for attendance at a Wellington Regional Council meeting.

Other Directors' remuneration paid during the year

	5
S A Macaskill	4,000
A Blackburn	4,000
	8,000

PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

5. TAXATION

	2003	2002
	5000	5000
Net surplus (deficit) before taxation	(96)	807
Prima facie tax expense @ 33%	(32)	267
Adjusted for permanent differences		
Non-deductible expenditure		-
Non assessable income	(457)	(102)
Imputation credits	(421)	(1,016)
Prior year under/(over) provision	1	
Taxation expense /(credit)	(909)	(851)

This taxation expense is represented by:

Current year taxation	(909)	(851)
Future taxation benefit		

On 22 September 1998 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 period represents the amount due from CentrePort Limited for the current year losses. At 30 June 2003 CentrePort Limited had advanced \$875,459 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

	2003	2002
	5000	5000
Opening balance	4,417	3,367
Dividends received	780	1,592
Dividends paid	(837)	(542)
Closing balance	4,360	4,417

PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

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

	2003	2002
	5000	5000
Net surplus /(deficit) after taxation	813	1,658
Add /(less) /movement in working capital:		
(Increase) /decrease in debtors	(1,065)	(171)
(Increase) /decrease in current account - WRC	1,970	(385)
Increase /(decrease) in creditors	(905)	598
Add /(less) items classified as financing activities:		
(Increase) in provision for dividends relating to financing activities	887	(600)
Increase in WRC current account relating to financing activities	(1,990)	379
Net cash flows from operating activities	(290)	1,479

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 Annual Report and Financial Statements.

8. AUDITORS' REMUNERATION

	2003	2002
	\$000	\$000
Audit New Zealand - audit services	2	2
Audit New Zealand - other services		
	<u>2</u>	<u>2</u>

9. CONTINGENT LIABILITIES AND ASSETS

The contingent liabilities and assets of the Company at 30 June 2003 were nil (30 June 2002: nil)

10. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at 30 June 2003 but not provided was nil (30 June 2002: nil)



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL TO THE READERS OF THE FINANCIAL STATEMENTS OF PORT INVESTMENTS LIMITED FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements 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 2003. The performance information specifies the performance targets and other measures by which the performance of Port Investments Limited can be judged in relation to its objectives. This information is stated in accordance with the accounting policies set out on page 8.

Responsibilities of the Board of Directors

Section 276 of the Local Government Act 2002 requires the Board of Directors (the Board) to comply with sections 5942 to 594ZC of the Local Government Act 1974 for the year ended 30 June 2003. Section 594Z and the Financial Reporting Act 1993 require the Board to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of Port Investments Limited as at 30 June 2003 and the results of its operations and cash flows for the year ended on that date. Section 594Z also requires the Board to report the performance targets and other measures by which the performance of Port Investments Limited can be judged in relation to their objectives.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Section 594ZC of the Local Government Act 1974 require the Auditor-General to audit the financial statements and the performance information presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and the performance information and report that opinion to you.

The Auditor-General has appointed A J Shaw, 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. It also includes assessing:

- A the significant estimates and judgements made by the Board in the preparation of the financial statements; 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 the Auditing Standards published by the Auditor-General, which incorporate 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 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;
- ▲ the financial statements of Port Investments Limited on pages 5 to 11:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - Port Investments Limited's financial position as at 30 June 2003; and
 - the results of its operations and cash flows for the year ended on that date;
- ▲ the performance information of Port Investments Limited on page 11 gives a true and fair view of the achievements in relation to the performance targets and other measures adopted for the year ended 30 June 2003.

Our audit was completed on 30 September 2003 and our unqualified opinion is expressed as at that date.



A J Shaw
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

