

WRC HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

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**WRC HOLDINGS LIMITED
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

WRC HOLDINGS LIMITED
STATUTORY REPORT OF DIRECTORS
For the Year Ended 30 June 2003

The Directors have pleasure in submitting their Annual Report including the financial statements of the Company and its Subsidiaries for the year ended 30 June 2003.

Principal Activities

WRC Holdings Ltd is an investment holding Company of the Wellington Regional Council. The Group consists of WRC Holdings Ltd, its wholly owned subsidiary companies, Port Investments Ltd and Pringle House Ltd, and 76.9% owned CentrePort Ltd.

The primary objectives of the group are to:

- Operate as a successful and responsible business.
- Own and operate the Wellington Regional Council's headquarters at 142-146 Wakefield Street, Wellington (known as "The Regional Council Centre") on a cost effective basis.
- Own Wellington Regional Council's interest in CentrePort Ltd and to maximise the commercial value to the shareholders and to protect the shareholders' investment.
- Effectively manage any other investments held in the group to maximise commercial value to the shareholders and to protect the shareholders' investment.

The financial objectives of the group are:

- Provide a commercial return to shareholders.
- Adopt policies that prudently manage and protect the investment of shareholders.

The environmental objectives of the group are:

- Operate in an environmentally responsible manner.
- Minimise the impact of any of the Group's activities on the environment.
- Raise awareness of environmental issues within the Group.

The social objectives of the group are:

- Provide a safe and healthy workplace.
- Participate in development, cultural and community activities within the Regions in which the Group operates.

Actual results compared with SCI targets

	Actual	Target
	\$000	\$000
Net Profit Before Tax	7,030	7,846
Net Profit After Tax	4,942	5,095
Return on Total Assets	10.9%	11.7%
Return on Shareholder Equity	29.1%	24.9%
Dividends	788	613

Dividends

	\$000
Interim	0
Final	788
Total	<u>788</u>

Directors

Directors holding office during the year were:

Parent and Wholly Owned Subsidiaries	Subsidiary – CentrePort Limited
Hon M K Shields	N J Gould
T J McDavitt	M Cashin
F R Long	K D Harris (Resigned 31 May 2003)
S A Macaskill	J G Jefferies
A Blackburn	E M M Johnson
	W A Larsen
	H J Stone

Remuneration of Directors of the Parent Company

Directors' remuneration received during the year was as follows:

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

Entries in the Interests Register

Disclosure of Interests by Directors for the year ended 30 June 2003:

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

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 Company has no employees who are paid over \$100,000.

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 of Directors


Director
30 September 2003


Director
30 September 2003

WRC HOLDINGS LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 30 June 2003

	Notes	Group		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
REVENUE		43,281	42,082	4,204	4,486
Expenses		(36,251)	(33,844)	(2,871)	(2,703)
OPERATING SURPLUS BEFORE SUBVENTION AND TAXATION	2	7,030	8,238	1,333	1,783
Subvention Payment		(422)	(357)		
OPERATING SURPLUS BEFORE TAXATION		6,608	7,881	1,333	1,783
Taxation (Expense) / Credit	7	(1,666)	(2,165)		
SURPLUS AFTER TAXATION	14	4,942	5,716	1,333	1,783
Share of Surplus applicable to Minority Interest	3	(1,447)	(1,698)	-	
SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		3,495	4,018	1,333	1,783

WRC HOLDINGS LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
For the Year Ended 30 June 2003

	Notes	Group		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
NET SURPLUS/ (DEFICIT) FOR THE YEAR:					
- Parent interest		3,495	4,018	1,333	1,783
- Minority interest	3	1,447	1,698		
		<u>4,942</u>	<u>5,716</u>	<u>1,933</u>	<u>1,783</u>
DISTRIBUTIONS TO OWNERS:					
- Parent interest		(788)	(1,800)	(788)	(1,800)
- Minority interest	3	(798)	(1,016)		
		<u>(1,586)</u>	<u>(2,816)</u>	<u>(788)</u>	<u>(1,800)</u>
MOVEMENTS IN EQUITY FOR THE YEAR		<u>3,356</u>	<u>2,900</u>	<u>545</u>	<u>(17)</u>
OPENING EQUITY:					
- Parent interest		10,648	8,430	7,340	7,357
- Minority interest	3	14,217	13,535		
		<u>24,865</u>	<u>21,965</u>	<u>7,340</u>	<u>7,357</u>
CLOSING EQUITY:					
- Parent interest		13,355	10,648	7,885	7,340
Minority interest		14,866	14,217		
CLOSING EQUITY	5	28,221	24,865	7,885	7,340


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

WRC HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
As at 30 June 2003

	Notes	Group 2003 \$000	2002 \$000	Parent 2003 \$000	2002 \$000
EQUITY	5	28,221	24,865	7,885	7,340
Represented by:					
ASSETS					
Current Assets					
Cash and Deposits		228		1	1
Receivables and Prepayments	10	4,864	3,384	1,218	2,257
Current Account - Wellington Regional Council	10	2,137	3,763	71	63
Current Account - Pringle House Ltd	10	-		1,800	1,800
Inventories		285	278		
Tax Refund		293	601		
Total Current Assets		7,807	8,026	3,090	4,121
Non Current Assets					
Investments	9	9,824	9,142	49,936	49,391
Fixed Assets	6	86,962	85,152		
Future Taxation Benefit	7	1,338	1,145		
Total Non Current Assets		98,124	95,439	49,936	49,391
TOTAL ASSETS		105,931	103,465	53,026	53,512
Less:					
LIABILITIES					
Current Liabilities					
Bank Overdraft			591		
Payables and Accruals		5,478	4,373	353	372
Provision for Employee Entitlements		2,892	1,944		
Provision for Dividend	4	1,203	1,892	788	1,800
Provision for Subvention		422			
Total Current Liabilities		9,995	8,800	1,141	2,172
Non Current Liabilities					
Bank Borrowing	11	67,715	69,800	44,000	44,000
TOTAL LIABILITIES		77,710	78,600	45,141	46,172
NET ASSETS		28,221	24,865	7,885	7,340

For, and on behalf of, the Board of Directors


Director
30 September 2003


Director
30 September 2003

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

WRC HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2003

	Notes	Group		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was Provided from:</i>					
Receipts from Customers		41,092	40,476		
Dividends Received		125	135	1,900	1,100
Interest Received		149	110	2,794	2,584
<i>Cash was Disbursed to:</i>					
Payments to Suppliers and Employees		(24,666)	(23,723)		
Restructuring Costs		(873)	(685)		
Subvention Payments to WRC		(357)	(506)		
Income Taxation		(1,540)	(2,000)		
Interest Paid		(4,430)	(3,979)	(2,794)	(2,584)
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	9,500	9,828	1,900	1,100
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was Provided from:</i>					
Proceeds from Sale of Fixed Assets		6	65	-	
Proceeds from Sale of Investment in Associate Company		754			
Repayment of Advance from associate Company		150	50		
<i>Cash was Applied to:</i>					
Purchase of Fixed Assets		(6,644)	(11,072)	-	
Acquisition of Shares of Associate Company		(820)			
Interest Bearing Advance			(1,000)		
Advance to Subsidiary Company			(500)	-	
NET CASH FLOWS FROM INVESTING ACTIVITIES		(6,554)	(12,457)	-	
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was Provided from:</i>					
Term Debt			4,000	-	
Movement in Current Account - WRC		2,448	(74)	(100)	(200)
<i>Cash was Applied to:</i>					
Settlement of Loans		(2,300)		-	
Movement in Current Account - WRC					
Dividends Paid		(2,275)	(1,869)	(1,800)	(900)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2,127)	2,057	(1,900)	(1,100)
Net Increase/ (Decrease) in Cash Held		819	(572)		
Add Opening Cash Brought Forward		(591)	(19)	1	1
CLOSING CASH BALANCE		228	(591)	1	1

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

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

Statement of Accounting Policies

Reporting Entity

WRC Holdings Limited is registered under the Companies Act 1993 and 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 Group consists of WRC Holdings Limited, Pringle House Limited and Port Investments Limited and its subsidiary CentrePort Limited as disclosed in Note 9.

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 2002.

General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance, cash flows and financial position under the historical cost method have been followed with the following exceptions: Investment properties are revalued annually to net current value in accordance with SSAP-17, Accounting for Investment Properties.

Specific Accounting Policies

The specific accounting policies adopted in the preparation of these financial statements which materially affect the measurement of financial performance, cash flows and financial position are set out below:

1.1 Revenue

Revenue shown in the Statement of Financial Performance comprises the amounts received and receivable by the Group for services provided to customers in the ordinary course of business. Income is stated exclusive of Goods and Services Tax collected from customers. Interest and dividend income are recognised on an accrual basis.

1.2 Fixed Assets

The Group has four classes of fixed assets:

Land
Buildings, Wharves and Paving
Container Cranes and Floating Plant
Plant, Vehicles, Furniture and Equipment

The fixed assets acquired by CentrePort Limited on 1 October 1988 are stated at cost, based on a business valuation carried out in accordance with the Company plan under Section 21 of the Port Companies Act 1988.

Subsequent purchases of fixed assets are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

All fixed assets, except land are depreciated.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

1.3 Leases

The Group leases certain land, buildings, wharves and plant. Operating lease payments, where the lessors effectively retain substantially all risks and benefits of ownership of the leased items, are charged to the Statement of Financial Performance in equal instalments over the lease term.

1.4 Depreciation

Depreciation on fixed assets other than land, is charged on a straight line basis so as to write off the cost of the fixed assets to their estimated residual value over their expected economic lives. The expected economic lives are as follows:

Buildings	20 to 50 years
Wharves and Paving	10 to 50 years
Container Cranes and Floating Plant	10 to 50 years
Plant, Vehicles, Furniture and Equipment	3 to 20 years

1.5 Investments

Investments in subsidiaries are revalued annually at the lower of cost and net asset backing.

Investment properties are revalued annually to net current value. The change in valuation is credited or debited to the statement of financial performance. There is no depreciation on investment properties.

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.

Other investments are stated at the lower of cost and net realisable value.

1.6 Receivables

Receivables are valued at expected net realisable value inclusive of Goods and Services Tax. Provision has been made for doubtful debts.

1.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Provision for obsolescence where applicable. Inventories are held for maintenance purposes only.

1.8 Income Taxation

The income taxation expense charged to the statement of financial performance includes both current and deferred tax has been made and is calculated after allowance for non taxable income and non deductible costs.

Deferred taxation is accounted for using the liability method on a comprehensive basis. Future tax benefits attributable to timing differences or taxation losses carried forward are only recognised when there is virtual certainty that the timing differences or taxation losses will be utilised by the Group.

1.9 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.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

1.10 Basis of Consolidation

The consolidated financial statements include WRC Holdings Limited and its subsidiaries. The subsidiaries are accounted for using the purchase method which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis. The associate companies are accounted for on an equity accounting basis, which shows the share of surplus/deficits in the consolidated statement of financial performance and share of post acquisition increases/decreases in net assets in the consolidated statement of financial position.

The Group's share of the net surplus of associate companies is recognised as a component of revenue in the consolidated statement of financial performance. Dividends received from associate companies are credited to the carrying amount of the investment.

All significant inter-company transactions are eliminated on consolidation.

1.11 Statement of Cash Flows

The following are the definitions used in the Statement of Cash Flows:

- (a) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments include securities not falling within the definition of cash.
- (c) Financing activities are those activities which 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 to shareholders are included in financing activities.
- (d) Operating activities include all transactions and other events that are not investing or financing activities.

1.12 Financial Instruments

As part of normal operations, the Group is party to financial instruments with off balance sheet risk to meet financing needs. These financial instruments include bank overdraft facilities, forward interest rate and interest swap agreements. Forward interest rate and interest swap agreements are used solely to manage interest rate exposure. The differential to be paid or received is accrued as interest rates change and is recognised as a component of interest income /expense over the life of the agreements.

1.13 Employee Entitlements

Provision is made in respect of the group's liability for annual, long service and retirement leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay. The other provisions have been calculated on an actuarial basis at current rates of pay.

1.14 Changes in Accounting Policies

There have been no material changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with the previous year.

1.15 Comparatives

Where necessary, comparatives have been restated to assist comparability.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 2

Operating Surplus before Subvention and Taxation

	Notes	Group		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
Operating Surplus before Subvention and Taxation		7,030	8,238	1333	1,783
<i>After Crediting:</i>					
REVENUE					
Rental Revenue		1,315	1,296		
Equity Accounted Earnings of Associate Companies		131	132		
Dividends from Subsidiaries				881	1,900
Interest Revenue		286	242	2,778	2,586
Write up of Investment properties		545			
Write up of Investment in subsidiaries		-	-	545	
<i>After Charging:</i>					
EXPENSES					
Bad Debts Write Off		44	10	-	
Change in Provision for Doubtful Debts		101	132		
Directors Fees		188	194	8	12
Depreciation	6	4,426	4,173	-	
Fees paid to Company Auditors for:					
- Audit Services		62	60	6	7
- Other Assurance Services		50	89	8	
- Consultancy Services		59	29		
Interest Expense		4,346	4,081	2,774	2,584
(Profit)/Loss on Sale of Fixed Assets		(6)	(65)	-	
Rental and Lease Expenses		703	712	-	
Restructuring Costs		1,708	695	-	
Write down of Investment in subsidiaries				-	19

NOTE 3

Minority Interests

		Group	
		2003 \$000	2002 \$000
Opening Balance		14,217	13,535
Minority share of operating surplus		1,447	1,698
Minority dividends paid or payable		(798)	(1,016)
Closing Balance	(Note 5)	14,866	14,217

Minority interests represent the Manawatu-Wanganui Regional Council's 23.1% share of CentrePort Limited.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 4

Dividends

	Group		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Interim Distributions: Dividend Paid on Ordinary Shares	383	924		
Proposed Distributions: Proposed Dividend on Ordinary shares	1,203	1,892	788	1,800
Total Dividends Declared	1,586	2,816	788	1,800

NOTE 5

Equity

	Group		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Ordinary Share Capital				
50,000,000 \$1 shares, uncalled				
34,541,100 \$1 shares, fully paid	34,541	34,541	34,541	34,541
Redeemable Preference Share Capital				
25,000 \$1000 shares, paid to 1 cent	-			
Total Share Capital	34,541	34,541	34,541	34,541
Retained Earnings	(21,186)	(23,893)	(26,656)	(27,201)
Minority Interests (Note 3)	14,866	14,217		
Total Equity	28,221	24,865	7,885	7,340

NOTE 6

Fixed Assets

	cost	Revaluation	Accumulated Depreciation	Net Book Value	Depreciation Expense
	\$000	\$000	\$000	\$000	\$000
Group - 2003					
Freehold Land	35,539	(832)	-	34,707	
Buildings, Wharves and Paving	59,969	(589)	(23,036)	36,344	2,450
Cranes and Floating Plant	16,346	(72)	(4,945)	11,329	768
Plant, Vehicles, Furniture and Equipment	15,806	(125)	(11,099)	4,582	1,208
Total Fixed Assets	127,660	(1,618)	(39,080)	86,962	4,426
Group - 2002					
Freehold Land	35,539	(832)		34,707	
Buildings, Wharves and Paving	56,284	(589)	(20,586)	35,109	2,491
Cranes and Floating Plant	14,525	(72)	(4,177)	10,276	502
Plant, Vehicles, Furniture and Equipment	15,075	(125)	(9,890)	5,060	1,180
Total Fixed Assets	121,423	(1,618)	(34,653)	85,152	4,173

A Directors' valuation of all Group freehold land (other than land associated with investment property) was completed in July 2003. Based on this review by CentrePort Directors, freehold land has a value of at least \$130 million.

The revaluation of fixed assets was a necessary component of the acquisition by Port Investments Ltd of 76.9% of CentrePort in 1998/99.

The parent company, WRC Holdings Limited, does not hold any fixed assets.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 7

Taxation

	Group		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Taxation Expense				
The Income Taxation Expense has been calculated as follows:				
Operating Surplus before Taxation	6,608	7,881	1,333	1,783
Income Taxation on the Surplus for the Year at 33%	2,180	2,602	440	589
Adjusted for permanent differences				
Imputation Credits	(12)	42		
Non-assessable Income	(71)	(102)	(471)	(627)
Non-deductible Expenditure	-	141		7
Equity Accounted Earnings from Associate Companies		(1)	-	
Timing Differences Not Recognised	(328)	(317)		
2003 Tax Loss Not Recognised	31	31	31	31
Prior Period Adjustment	(134)	(231)		
Taxation Expense / (Credit)	1,666	2,165		

The Taxation Expense is represented by:

Current Year Taxation	1,908	2,188		
Future Taxation Benefit	(242)	(23)	-	
Taxation Expense / (Credit)	1,666	2,165		

Future Taxation Benefit Comprises

Opening Balance	1,145	1,181		
Current Year Movement	242	23		
Prior Year Adjustments	(49)	(59)		
Future Taxation Benefit	1,338	1,145		

The financial statements accrue subvention payments for the utilisation of losses incurred by the Wellington Regional Council of \$422,478 payable by **Pringle** House Limited. A subvention payment of \$356,810 was made by **Pringle** House Limited relating to the 2002 tax losses of the Wellington Regional Council that were utilised in that year.

On 22 September 1998 WRC Holdings Limited, its wholly owned subsidiaries and the **CentrePort** Group entered into a Tax Loss Sharing Agreement under which the WRC Holdings Group will receive subvention payments from the **CentrePort** Group equivalent to 33% of its available losses with the balance of losses offset.

The WRC Holdings Group has obtained a legally binding Private Ruling from the Inland Revenue that confirms the tax treatment of the acquisition of **CentrePort** Limited, and in particular, the deductibility of interest to Port Investments Limited and WRC Holdings Limited in relation to money borrowed to acquire the company.

A deferred tax asset of \$6.64 M (2002 **\$7.115M**), has not been recognised in relation to timing differences arising from the difference between accounting and tax depreciation on the basis that there is no virtual certainty of the realisation of that asset. Of this amount, **\$6.120M** relates to **CentrePort** Limited.

WRC Holdings Limited has tax losses of **\$0.27m** (2002 **\$0.18m**) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses is **\$0.09m** (2002 **\$0.06m**). WRC Holdings Limited's ability to carry forward tax losses is contingent upon them continuing to meet the requirements of the Income Tax Act 1994.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 8

Imputation Credit Account

	Group		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Opening Balance	8,319	7,173	114	15
Movements	291	1,146	(49)	99
Closing Balance	8,610	8,319	65	114

The imputation credits available to the shareholders of the parent Company as at 30 June 2003 include imputation credits available through direct shareholding in the Parent Company and through indirect interests in Subsidiaries.

	Parent	
	2003	2002
Imputation credits available to the shareholders of the Parent Company as at 30 June 2003 are:	\$000	\$000
Through direct shareholding in the Parent Company	65	114
Through indirect interests in Subsidiaries	8,545	8,205

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 9

Investments

All Group companies have a common balance date of 30 June and all significant inter-company transactions have been eliminated on consolidation.

Name	Relationship	Equity Held		Principal Activity	
		2003	2002	2003	2002
Pringle House Limited	Subsidiary	(100%)		Property Owner	
Port Investments Limited	Subsidiary	(100%)		Investment Management	
CentrePort Limited	Subsidiary	(76.9%)		Port Operations	
Central Stevedoring Limited	Subsidiary	(76.9%)		Stevedoring	
Port Wellington Limited	Subsidiary	(76.9%)		Inactive Company	
Port of Wellington (1988) Limited	Subsidiary	(76.9%)		Property Owner	
CentrePac Limited	Associate	(38.5%)		Container Packing	
Medical Waste (Wellington) Limited	Associate	(38.5%)		Treatment of Waste	
Transport Systems 2000 Limited	Associate	(38.5%)		Container Depot	
		Group		Parent	
		2003	2002	2003	2002
		\$000	000	\$000	\$000
Investments in Subsidiary Companies					
<i>Investments are stated at the lower of cost and net asset backing and comprise:</i>					
Pringle House Limited				5,936	5,391
Port Investments Limited					
Investment in Associate Companies					
Opening Balance of Carrying Amount		762	765		
Equity Accounted Earnings of Associate Companies		131	132		
Acquisition of Shares		1,035			
Disposal of Shares		(754)			
Dividends from Associate Companies		(125)	(135)		
Closing Balance of Carrying Amount		1,049	762	5,936	5,391
Term Investments					
Interest Bearing Advance		1,000	1,000		
Advance to Associate Companies		350	500		
Total Investments		1,350	1,500		
Other Investments					
Investment Property		7,425	6,880		
Advance to Subsidiary				44,000	44,000
Total Investments		9,824	9,142	49,936	49,391

The interest bearing advance is secured by debenture, mortgage and guarantees. Other investments are unsecured.

The Company has an unsecured advance facility of \$44,000,000 with its subsidiary, Port Investments 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% p.a.)

Investment properties representing the Regional Council Centre at 142-146 Wakefield Street, Wellington were valued as at 30 June 2003 by CB Richard Ellis Limited.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 10

Receivables, Prepayments and Current Accounts

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:

	Group		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Trade Receivables	4,830	3,338	-	
Prepayments and Other Receivables			-	
Shareholder Subvention Payment	34	46	-	
Associate Company Advance			-	
Interest Receivable			337	357
Dividends Receivable			881	1,900
Total Receivables and Prepayments	4,864	3,384	1,218	2,257

No collateral is held on the above amounts except for those disclosed in Note 9.

Current Accounts

Current Account - PHL			1,800	1,800
Current Account - WRC	2,137	3,763	71	63
Total Current Accounts	2,137	3,763	1,871	1,863

NOTE 11

Bank Borrowing

The Parent has a bank loan facility of \$44,000,000 drawn to \$44,000,000 which is secured by a debenture over the assets of the Company and matures on 28 October 2006. The interest rate charged on the facility as at 30 June 2003 was 5.95% p.a. (30 June 2002: 6.30% p.a.)

CentrePort has a bank loan facility which is unsecured and matures on 14 April 2004. The interest rate charged on the facility as at 30 June 2003 ranged from 5.4% to 6.1% p.a.

CentrePort has other borrowings which are unsecured and repayable by four equal instalments of \$53,750 on 1 May of each year with the final payment due on 1 May 2007. There is no interest charged on this borrowing.

NOTE 12

Operating Leases

	Group		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Lease commitments for non-cancellable operating leases as at balance date were:				
Less than One Year	438	263		
One to Two Years	226	139		
Two to Three Years	151	55		
	815	457		

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 13

Financial Instruments

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

Fair Values

The estimated fair value of the interest rate swap agreements is a deficit of \$219,000 (carrying value \$Nil). The estimated fair values of all other financial instruments of the Group are the carrying amounts of the financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group has an exposure to interest rate movements as a result of its term borrowing facilities. To minimise this risk, management monitors the levels of interest rates on an ongoing basis and uses forward rate and swap agreements to hedge interest rates when rates are anticipated to rise.

At balance date the Group had entered into the forward rate and swap agreements with maturities of:

	Group		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Less than One Year	7,000	3,000		
One to Two Years	7,500	7,000		
Two to Three Years	2,500	5,000		
Three to Four Years				

Credit Risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, money market deposits and accounts receivable. 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:

	Group		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Cash and Deposits	228	(591)	1	1
Receivables	4,864	3,384	1,218	2,257

No collateral is held on the above amounts. All amounts owed to the Parent are from related parties. Prior year comparatives have been restated to remove the Wellington Regional Council current accounts as they are not considered a credit risk.

Concentrations of Credit Risk

The Group's major concentration of credit risk is in respect to its \$1,500,000 term investments. The Group is not exposed to any other concentrations of credit risk.

Credit Facilities

CentrePort has a total bank overdraft facility of \$1,000,000 and New Zealand dollar commercial bill facilities of \$40,000,000 (2002: \$40,000,000), and other borrowings of \$215,000 (2002: Nil). Of these \$23,715,000 (2002: \$26,393,000) has been drawn down by CentrePort at balance date.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 14

Reconciliation of Surplus After Taxation with Cash Flows from Operating Activities

	Group		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Reported Surplus After Taxation	4,942	5,716	1,333	1,783
Add /(Less) Non Cash Items:				
Depreciation	4,426	4,173		
(Profit)/Loss on Sale of Fixed Assets	(6)	(65)		
Equity Accounted Earnings from Associate Companies	(6)	3		
(Increase)/Decrease in Value of Investment Properties	(545)		-	
(Increase)/Decrease in Value of Investments			(545)	19
Increase in Future Taxation Benefit	(193)	36		
Add /(Less) Movements in Working Capital:				
(Increase)/Decrease in Accounts Receivable	(1,480)	467	1,039	(798)
Increase/(Decrease) in Accounts Payable	1,786	(568)	(1,031)	899
Increase/(Decrease) in Current Account - Wellington Regional Council	1,626	(725)	(8)	(103)
Decrease in Inventory	(7)	46		
(Increase)/Decrease in Taxation Refund - Other	308	145		
Add /(Less) Items Classified as Investing and Financing Activities:				
Dividends Paid/Payable	690	(946)	1,012	(900)
Loan to Associate Company		(50)		
Increase/(Decrease) in Current Accounts relating to Financing Activities	(2,448)	73	100	200
Increase in Accounts Payable related to Fixed Assets	407	1,523	-	
Net Cash Inflows From Operating Activities	9,500	9,828	1,900	1,100

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 15

Related Parties

WRC Holdings Limited is 100% owned by the Wellington Regional Council. During the year transactions between WRC Holdings Limited and related parties included:

	Group		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Wellington Regional Council				
Income received from interest on inter Company current accounts	137	123	4	3
Income received from rent and services performed	24	33	-	-
Proposed Dividend	(788)	(1,800)	(788)	(1,800)
Payment for management fees	(233)	(205)		
Payment for use of navigational facilities	(550)	(550)		
WRC Holdings Subsidiaries				
Dividend income from PIL and PHL			881	1,900
Interest income on PIL Advance			2,773	2,583
CentrePac Limited				
Income received from rent and services performed.	150	158		
Medical Waste (Wellington) Ltd				
Income received from rent and services performed.	60	98	-	-
Waste disposal expenditure.	(172)	(191)	-	-
Transport Systems 2000 Limited				
Income received from rent and services performed	349	332		

During the year **CentrePort** subsidiaries charged their parent **\$14,818,000** (2002: **\$14,552,000**) for lease rentals.

Subvention payments by **CentrePort** advanced to Wellington Regional Council and its subsidiaries totalled \$921,000 (2002: \$805,000).

All 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

	\$
S A Macaskill	4,000
A Blackburn	4,000

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2003

NOTE 16

Contingent Liabilities

The following contingent liabilities existed at 30 June 2003:

Parent Company

The Parent Company has uncalled capital in Port Investments Limited of **\$10,000,100** (2002: **\$10,000,100**).

Subsidiary Companies - CentrePort Limited

In respect of CentrePort the following contingent liabilities existed at 30 June 2003:

(a) A party has commenced litigation disputing the level of the CentrePort's charges and seeking some reimbursement of charges paid. CentrePort has lodged counter claims against this party for breach of contract in respect of charges that have been withheld. The charges determined by Centreport as appropriate, are included within trade receivables (Note 10) at balance date. Professional advice indicates that Centreport has no significant further exposure to this claim.

(b) During May 2003 a fatal accident occurred. This accident is currently under investigation by the Company and an outside agency.

NOTE 17

Capital Commitments

The following capital commitments existed at 30 June 2003:

Parent Company

The Parent Company has no capital commitments (2002: Nil).

Subsidiary Companies - CentrePort Limited

At balance date there were commitments in respect of contracts for capital expenditure of **\$2,141,000** (2002: **\$1,159,000**).

NOTE 18

Events after Balance Date

There have been no significant events subsequent to balance date that would materially affect these accounts.

NOTE 19

Segment Information

The WRC Holdings group operates in two industries, a group of investment companies and a group of companies that own and operate a port. All operations are carried out within New Zealand.

Industry Segments	Port Operations 2003	Other Operations 2003	Elimination: 2003	Consolidated Operations 2003
Operating Revenue				
Sales to customers outside the group	38,034	5,247	-	43,281
Inter segment revenue		6,861	(6,861)	-
Total Revenue	38,034	12,108	(6,861)	43,281
Segment Result	<u>5,238</u>	<u>3,791</u>	<u>(4,087)</u>	<u>4,942</u>
Segment Total Assets	<u>85,206</u>	<u>120,682</u>	<u>(99,957)</u>	<u>105,931</u>



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF WRC HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements and performance information on pages 5 to 20. The financial statements provide information about the past financial performance and financial position of WRC Holdings Limited and group as at 30 June 2003. The performance information specifies the performance targets and other measures by which the performance of WRC Holdings Limited and group can be judged in relation to its objectives. This information is stated in accordance with the accounting policies set out on pages 8 to 10.

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 594Z 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 WRC Holdings Limited and subsidiaries 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 WRC Holdings Limited and its subsidiaries 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:

- ▲ the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- ▲ whether the accounting policies are appropriate to WRC Holdings Limited and group'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 WRC Holdings Limited or any of its subsidiaries.

Unqualified opinion

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

In our opinion:

- ▲ proper accounting records have been kept by WRC Holdings Limited and group as far as appears from our examination of those records;
- ▲ the financial statements of WRC Holdings Limited and group on pages 5 to 20:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - WRC Holdings Limited and group'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 WRC Holdings Limited and group on page 3 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