WRC HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

Contents

WRC HOLDINGS LTD
DIRECTORY

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

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
ANZ National Bank Ltd

WRC HOLDINGS LTD
STATUTORY REPORT OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2004

The Directors have pleasure in submitting their Annual Report including the financial statements of WRC Holdings Ltd and its subsidiaries **for** the year ended **30** June **2004.**

Principal Activities

WRC Holdings Ltd is the investment holding company of Greater Wellington Regional Council (the 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 group's primary objectives are:

- **To** operate as a successful, sustainable and responsible business.
- To own and operate, via Pringle House Ltd, the Council's headquarters at 142-146 Wakefield Street, Wellington on a cost effective basis.
- To own via Port Investments Ltd, the Council's interest in CentrePort Ltd **,** to maximise the commercial value of Centreport Ltd **to** the shareholders **and** to protect the shareholders' investment.
- To effectively manage any other investments held by the group in order to maximise the commercial value to the shareholders and to **protect** the shareholders' investment.

The financial objectives of the group are:

- To provide a commercial return to shareholders.
- To adopt policies that prudently manage **risk** and protect the investment of shareholders.

The environmental objectives ot the group are:

- To operate in *an* environmentally responsible manner.
- To minimise the impact of any of the group's activities on the environment.
- To raise awareness of environmental issues within the group.

The social objectives of the group are:

- To provide a safe and healthy workplace.
- To participate in development, cultural and community activities within the regions in which the group operates.

The nature and scope of activities undertaken by the group are consistent with those set in the **2003/04** Statement of Intent.

WRC HOLDINGS LTD
STATUTORY REPORT OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2004

Financial Results Compared with Statement of Intent (SOI) Targets:

	Actual 2004 $000	Target 2004 $000	Actual 2003 $000
Net profit before tax	**5,178**	7,384	6,485
Net profit after tax	**31,415**	4,787	4,942
Return on total assets	*6.6%*	10.5%	10.9%
Return on shareholder equity (excluding increase in value of investment property)	**5.7%**	21.1%	24.6%
Return on shareholder equity (including increase in value of investment property)	**58.7%**	21.1%	29.1%
Dividends	**323**	1,036	788

Net profit before tax

The reduction in net profit before tax compared to target reflects the lower net profit in CentrePort due to restructuring costs and the challenging operating environment. This in turn flows through to the underlying operating position of the group.

Net profit after tax (before deduction of minority interest)

The large increase in net profit after tax reflects the $28.1 million increase in the net current value of the group's investment properties. During the year CentrePort re-classified its fixed assets and created new classes for investment properties. These properties have been revalued in accordance with SSAP 17 and the increase in the net current value has been included in the group's net surplus in accordance with our existing policy. Pringle House Ltd's investment property also an increased in value.

Return on total assets

This target is calculated as earnings before interest and tax (EBIT) as a percentage of average total assets. The actual result is lower than target because operating results have been lower for the year and the average asset value is significantly higher due to asset revaluations during the year (investment property $28.1 million and freehold operational port land $40.1 million)

Return on shareholder equity

This target is calculated as net profit after tax (after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest). This measure is shown both before and after the impact on the net profit after tax due to the increase in value of investment properties. Average parent shareholder equity has also increased due to the revaluation of assets.

Dividends paid (or payable to the parent shareholders)

As a consequence of the reduced net surplus after tax of Centreport, dividend payments flowing through the group to the parent shareholder, Greater Wellington Regional Council, have reduced.

Directors

Directors holding office during the year were:

Parent and 100% Owned Subsidiaries	Subsidiary – CentrePort Ltd
Hon M K Shields	N J Gould
T J McDavitt	M Cashin (resigned 21 May 2004)
F R Long	J G Jefferies
S A Macaskill	E M M Johnson
A Blackbum	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 Blackbum	4,000

WRC HOLDINGS LTD
STATUTORY REPORT OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2004

Entries in the Interests Register

Disclosure of interests by Directors for the year ended **30** June **2004:**

Hon M K Shields
Chairperson of Greater Wellington Regional Council

T J McDavitt
Deputy Chairperson of Greater Wellington Regional Council

F R Long
Councillor of Greater Wellington Regional Council

S A Macaskill
Former Chairperson **of** Greater 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 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 Tony Uttley of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors

Director
14 September 2004

Director
14 September 2004

WRC HOLDINGS LTD
NON-FINANCIAL PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2004

A summary of the WRC Holding's Group's achievements against the non-financial performance indicators contained in the statement of intent for the 2003/04 year:

Environmental Performance Indicators:

Planned Target
CentrePort Ltd to maintain current levels of accreditation to Centreport Ltd 's internationally recognised management system (incorporating environmental standards) CLIMB.

Actual Performance
Subsequent to its management restructure, Centreport reviewed the environment management procedures in place and has decided in future to comply with environmental management standard AS/NZS:14000.

Planned Target
Centreport Ltd will promote the introduction into the district and regional coastal plans of the principles of NZS 6809:1999 Acoustics - Port Noise Management and Land Use Planning.

Actual Performance
During the year Centreport presented Greater Wellington Regional Council and Wellington City Councils with proposed changes to their respective plans. These changes embrace the principles of the New Zealand Standards NZS 6809:1999 Acoustics - Port Noise Management and Land Use Planning.

planned Target
The group has complied with all conditions under resource consents and permits held, and to fully adhere to the requirements of environmental law generally.

Actual Performance
There were no breaches by the group of any conditions under which resource consents and permits are held. Progress was also made during the year to improve environmental performance including sealing the log yard area, solving issues related to soda ash, and managing biosecurity risks.

Social Performance Indicators:

Planned Target
CentrePort Ltd to maintain current levels of accreditation to Centreport Ltd 's internationally recognised management system (incorporating health and safety standards) CLIMB.

Actual Performance
Following a review of CentrePort's current health and safety regime, changes have been made to policy and procedures. CentrePort has discontinued the health and safety audits carried out by Det Norske Veritas (DNV) that formed part of CLIMB. Centreport has sought accreditation under ACC's Workplace Safety Management Practices Programme which requires mandatory workplace health and safety audits by ACC accredited auditors.

Planned Target
Centreport Ltd to maintain compliance with Lloyds Safe Ship Management for tugs and launches.

Actual Performance
Centreport has complied with Lloyds Safe Ship Management for tugs and launches.

Planned Target
CentrePort Ltd to investigate the feasibility of marine cluster opportunities, including a dry dock facility, and that special consideration be given to siting it at Seaview.

Actual Performance
CentrePort engaged RDM Associates Ltd to prepare a marine cluster feasibility report. The CentrePort board concluded that "social capital" would be needed to make marine cluster financially viable. In addition, if third party capital was available, CentrePort would still need to investigate if a marine cluster investment was consistent with CentrePort's strategic direction.

WRC HOLDINGS LTD
NON-FINANCIAL PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2004

Planned Target
To undertake a level of sponsorship appropriate to Centreport Ltd .

Actual Performance
Centreport supported a number of commercial and community organisations during the year.

Commercial sponsorship included support **for** regional development agencies in Wanganui, Manawatu, Wairarapa, Horowhenua and Kapiti as well **as** the Wellington and Hutt Valley Chambers of Commerce. Sponsorship was provided for the Wellington Gold Awards, Manawatu Business Awards, Hutt Valley Business Excellence Awards and support was provided **for Logistics** and Transport NZ, **Export** New Zealand and the NZ Cold Storage association.

Community sponsorships this year included the Museum of Wellington City and Sea and the NZ International **Arts** Festival of the ***Arts,*** but there were many more. Sponsorship was provide to a range of organisations and events.

Planned Target
To meet regularly with representative community groups of Centreport **Ltd.**

Actual Performance
Consultation with the community continued through the Environment Consultative Committee and various economic and business development groups.

General Performance Indicators:

Planned Target
Centreport will, in consultation with shareholders, continue to develop **performance** targets in the environmental and social areas.

Actual Performance

Development **of** appropriate performance targets in the social and environmental areas has taken a back seat with the change in management in Centreport. CentrePort's focus in this area has shifted to reviewing core **systems,** identifying **risks and** improving the underlying systems.

WRC HOLDINGS LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Revenue		41,774	42,736	3,749	4,204
Expenses		(36,596)	(36,251)	(2,735)	(2,871)
OPERATING SURPLUS BEFORE SUBVENTION AND TAXATION	2	5,178	6,485	1,014	1,333
Subvention payment		(470)	(422)		
OPERATING SURPLUS BEFORE TAXATION		4,708	6,063	1,014	1,333
Taxation expense	9	(1,420)	(1,666)		
NET SURPLUS BEFORE CHANGE IN VALUE OF INVESTMENT PROPERTIES		3,288	4,397	1,014	1,333
Increase in net current value of investment properties		28,127	545		
NET SURPLUS AFTER TAXATION		31,415	4,942	1,014	1,333
Share of surplus applicable to minority interest	4	(7,441)	(1,447)		
NET SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		23,974	3,495	1,014	1,333

WRC HOLDINGS LTD
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Net Surplus For The Year:					
Parent interest		23,974	3,495	1,014	1,333
Minority interest	4	7,441	1,447		
		31,415	4,942	1,014	1,333
Increase in Revaluation Reserve					
Parent interest		31,339			
Minority interest	4	9,242			
		40,581			
TOTAL RECOGNISED REVENUE AND EXPENSES		71,996	4,942	1,014	1,333
Distributions To Owners:					
Parent interest		(323)	(788)	(323)	(788)
Minority interest	4	(660)	(798)		
		(983)	(1,586)	(323)	(788)
MOVEMENTS IN EQUITY FOR THE YEAR		71,013	3,356	691	545
Opening Equity:					
Parent interest		13,355	10,648	7,885	7,340
Minority interest	4	14,866	14,217		
		28,221	24,865	7,885	7,340
Closing Equity:					
Parent interest		68,345	13,355	8,576	7,885
Minority interest	4	30,889	14,866		
CLOSING EQUITY	3	99,234	28,221	8,576	7,885

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

WRC HOLDINGS LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Notes	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
EQUITY	3	99,234	28,221	8,576	7,885
Represented by:					
ASSETS					
Current Assets					
Cash and deposits			228	1	1
Receivables and prepayments	5	5,520	4,864	774	1,218
Current account - Greater Wellington Regional Council	6	2,126	2,137	59	71
Current account - Pringle House Ltd	6			1,800	1,800
Inventories		370	285		
Tax refund		621	293		
Total Current Assets		8,637	7,807	2,634	3,090
Non Current Assets					
Investments	7	58,944	31,289	50,628	49,936
Fixed assets	8	109,624	65,497		
Future taxation benefit	9	1,117	1,338		
Total Non Current Assets		169,685	98,124	50,628	49,936
TOTAL ASSETS		178,322	105,931	53,262	53,026
Less:					
LIABILITIES					
Current Liabilities					
Bank overdraft		539			
Payables and accruals		6,832	5,478	363	353
Provision for dividend	11	614	1,203	323	788
Provision for subvention		470	422		
Provision for employee entitlements		2,372	2,892		
Total Current Liabilities		10,827	9,995	686	1,141
Non Current Liabilities					
External debt	12	68,261	67,715	44,000	44,000
TOTAL LIABILITIES		79,088	77,710	44,686	45,141
NET ASSETS		99,234	28,221	8,576	7,885

For, and on behalf of, the Board of Directors

Director
14 September 2004

Director
14 September 2004

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

WRC HOLDINGS LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		39,189	41,092		
Dividends received		249	125	881	1,900
Income taxation		348			
Interest received		308	149	2,617	2,794
Cash was disbursed to:					
Payments to suppliers and employees		(24,449)	(24,666)		
Restructuring costs		(136)	(873)		
Subvention payments to Greater Wellington Regional Council		(2,293)	(357)		
Income taxation			(1,540)		
Interest paid		(4,078)	(4,430)	(2,617)	(2,794)
NET **CASH FLOWS FROM OPERATING ACTIVITES**	15	7,888	9,500	881	1,900
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of fixed assets		454	*6*		
Proceeds from sale of investment in associate company		200	754		
Repayment of advance from associate company			150		
Cash was applied to:					
Purchase of fixed assets		(8,615)	*(6,644)*		
Acquisition of shares of associate company			(820)		
NET **CASH FLOWS FROM INVESTING ACTIVITIES**		(7,961)	(6,554)		
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from borrowings		546			
Movement in current account - Greater Wellington Regional Council		333	2,448		
Cash was applied to:					
Settlement of loans			(2,300)		
Movement in current account - Greater Wellington Regional Council				(93)	(100)
Dividends paid		(1,573)	(2,275)	(788)	(1,800)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(694)	(2,127)	(881)	(1,900)
Net increase / (decrease) in cash held		(767)	819		
Opening cash / (overdraft) brought forward		228	(591)	1	1
CLOSING CASH / (OVERDRAFT)		(539)	228	1	1

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

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1

Statement of Accounting Policies

Reporting Entity
WRC Holdings Ltd, the "parent" or "company", is registered under the Companies Act 1993 and is a wholly owned subsidiary of Greater Wellington Regional Council. It is a council controlled trading organisation as defined in section 6 of the Local Government Act 2002.

The "group" consists of WRC Holdings Ltd, Pringle House Ltd and Port Investments Ltd and its subsidiary CentrePort Ltd, together with its subsidiaries, as disclosed in Note 7.

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 principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the company, modified by the revaluation of certain assets.

The going concern concept has been adopted in the preparation of these financial statements.

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 Basis of Consolidation
The consolidated financial statements include WRC Holdings Ltd 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.

1.2 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.

1.3 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.

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1.4 Fixed Assets
The group has four classes of fixed assets:

Freehold land
Buildings, wharves and paving
Cranes and floating plant
Plant, vehicles and equipment

Freehold land comprises operational port freehold land and is stated at valuation determined every three years by an independent registered valuer. The basis of valuation is highest and best use. Any increase in the value on revaluation is recognised through the statement of movements in equity unless it offsets a previous decrease in value recognised in the statement of financial performance, in which case it is recognised in the statement of financial performance. A decrease in the value on revaluation is recognised in the statement of financial performance where it exceeds the increase previously recognised in equity.

The remaining fixed assets acquired by CentrePort 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.

1.5 Leased Assets
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.

1.6 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

1.7 Investments
Investments in subsidiaries are revalued annually at the lower of cost and net asset backing. The change in valuation is recognised in the statement of financial performance.

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.

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

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

1.8 Receivables
Receivables are valued at expected net realisable value inclusive of goods and services tax. Provision has been made for doubtful debts.

1.9 Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Provision has been made for obsolescence where applicable.

1.10 Income Taxation
The income taxation expense charged to the statement of financial performance includes both current and deferred tax 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.

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1.11 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.

1.12 Employee Entitlements
A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet paid at balance date. Employee benefits include salaries, wages, annual leave and long service leave. Where the services that gave rise to the employee benefits are expected to be paid for within twelve months of balance date, the provision is the estimated amount expected to be paid by the group. The provision for other employee benefits is stated at the present value of the future cash outflows expected to be incurred.

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.

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

1.14 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 within predetermined policies and limits in order 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.

1.15 Changes in Accounting Policies
On 30 June 2004, CentrePort re-classified some of its fixed assets as investment properties, as a result of this the group has changed the classification of some properties from fixed assets to investment properties. The 2003 comparatives have been adjusted accordingly.

In respect to:
(a) CentrePort's operational port freehold land, the group changed its policy of accounting from recording these assets at cost to recording them at valuation in accordance with FRS 3. The implementation of the new accounting policy has had the impact of increasing equity and fixed assets in the group statement of financial position in the current year by $40,050,000.

(b) Investment properties, the reclassification of these properties has changed the group's accounting from recording these assets at cost to recording them at valuation in accordance with SSAP 17 and the groups existing policy on investment properties. The implementation of the new accounting policy has had the impact of increasing the group's net surplus recorded in the statement of financial performance and fixed assets in the statement of financial position in the current year by $28,127,000.

With the exception of the above changes in accounting policies, uniform accounting policies have been applied throughout the group on a consistent basis with those of the previous year.

1.16 Comparatives
Where necessary, comparatives have been restated to assist comparability.

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 2

Operating Surplus before Subvention and Taxation

	Notes	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Operating surplus before subvention and taxation		5,178	6,485	1,014	1,333
After crediting:					
Revenue					
Rental revenue		1,328	1,315		
Equity accounted earnings of associate companies		334	131		
Dividends from subsidiaries				425	881
Gain on sale of fixed assets		183	6		
Interest revenue		437	286	2,633	2,778
Write up of investment in subsidiaries				691	545
After charging:					
Expenses					
Bad debts written off		12	44		
Change in provision for doubtful debts		45	101		
Depreciation	8	4,402	4,426		
Directors fees		235	188	8	8
Fees paid to company auditors for:					
- Audit services		62	62	7	6
- Other assurance services		95	50	7	8
- Consultancy services		42	59		
Fixed assets written off		634			
Interest expense		4,147	4,346	2,629	2,774
Rental and lease expenses		629	703		
Restructuring costs		823	1,708		

NOTE 3

Equity

	Notes	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $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
Revaluation reserve - parent share		31,339			
Retained earnings - parent share		2,465	(21,186)	(25,965)	(26,656)
Minority interests	4	30,889	14,866		
Total Equity		99,234	28,221	8,576	7,885

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 4

Minority Interests

	Group	
	2004	2003
	$000	$000
Opening minority interests	14,866	14,217
Minority share of operating surplus	7,441	1,447
Minority share of revaluation reserve	9,242	
Minority share of dividends paid or payable	(660)	(798)
Total Minority Interests	**30,889**	14,866

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

NOTE 5

Receivables and Prepayments

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Trade receivables	4,074	3,097		
Prepayments	1,416	1,733		
Shareholder subvention receivable	30	34		
Interest receivable			349	337
Dividends receivable			425	881
Total Receivables and Prepayments	**5,520**	4,864	774	1,218

NOTE 6

Current Accounts

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Current account - Pringle House Ltd			1,800	1,800
Current account - Greater Wellington Regional Council	2,126	2,137	59	71
Total Current Accounts	**2,126**	2,137	**1,859**	1,871

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 7

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
Pringle House Ltd	Subsidiary	(100%)	Property Owner
Port Investments Ltd	Subsidiary	(100%)	Investment Management
Centreport Ltd	Subsidiary	(76.9%)	Port Operations
Central Stevedoring Ltd	Subsidiary	(76.9%)	Stevedoring
Port Wellington Ltd	Subsidiary	(76.9%)	Inactive Company
Port of Wellington (1988) Ltd	Subsidiary	(76.9%)	Property Owner
CentrePac Ltd	Associate	(38.5%)	Container Packing
Medical Waste (Wellington) Ltd	Associate	(38.5%)	Treatment of Waste
Transport Systems 2000 Ltd	Associate	(38.5%)	Container Depot

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Investments in Subsidiary Companies				
at the lower of cost and net asset backing				
Pringle House Ltd			**6,628**	5,936
Port Investments Ltd	-	-	-	-
Total investments in subsidiary companies			**6,628**	**5,936**
Investment in Associate Companies				
at the fair market value of net tangible assets				
at acquisition plus post acquisition increases in reserves				
Opening balance of investment in associated companies	**1,049**	762	-	-
Equity accounted earnings of associate companies	**334**	131	-	-
Acquisition of shares		1,035	-	-
Disposal of shares		(754)	-	-
Dividends from associate companies	**(248)**	(125)		
Total investments in associated companies	**1,135**	1,049		
Investment Properties				
at net w e n t value				
The Regional Council Centre	**8,150**	7,425		
CentrePort's investment properties	**48,509**	21,465		
Investment properties	**56,659**	28,890		
Other Investments				
at the lower of cost and net realisable value				
Advance to subsidiary			**44,000**	**44,000**
Interest bearing advance	**1.000**	1.000		
Advance to associate companies	**150**	350		
Total Investments	**58,944**	31,289	**50,628**	49,936

The group's investment properties comprise:

(a) The Regional Council Centre at 142-146 Wakefield Street, Wellington. This building was valued as at 30 June 2004 by CB Richard Ellis Ltd.
(b) CentrePort's developed and undeveloped investment properties. These were valued by Mr AG Stewart and Mr AP Washington, registered valuers with DTZ New Zealand Limited on 30 June 2004. The valuations were based on the assets highest and best use.

The company has an unsecured advance facility of $44 million with its subsidiary, Port Investments Ltd. The facility matures on 28 October 2018. The interest rate charged on the facility as at 30 June 2004 was 6.44% p.a. (30 June 2003 5.95% p.a.)

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

On 30 June 2004, CentrePort re-classified some of its fixed assets as investment properties, as a result of this the group has changed the classification of some properties from fixed assets to investment properties. The 2003 comparatives have been adjusted accordingly.

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 8

Fixed Assets

	Assets at Revaluation $000	Assets at Cost $000	Discount on Acquisition $000	Accumulated Depreciation $000	Net Book Value $000	Depreciation Expense $000
Group - 2004						
Freehold land	60,390				60,390	
Buildings, wharves and paving	-	58,338	(532)	(23,706)	34,100	2,589
Cranes and floating plant	-	16,715	(72)	(5,729)	10,914	807
Plant, vehicles, furniture and equipment	-	15,186	(125)	(10,841)	4,220	1,006
Total Fixed Assets at 30 June 2004	60,390	90,239	(729)	(40,276)	109,624	4,402
Group - 2003						
Freehold land	-	20,339	(832)		19,507	
Buildings, wharves and paving	-	53,704	(589)	(23,036)	30,079	2,450
Cranes and floating plant	-	16,346	(72)	(4945)	11,329	768
Plant, vehicles, furniture and equipment	-	15,806	(125)	(11,099)	4,582	1,208
Total Fixed Assets at 30 June 2003	-	106,195	(1,618)	(39,080)	65,497	4,426

On 30 June 2004, Centreport re-classified some of its fixed assets as investment properties, as a result of this the group has changed the classification of some properties from fixed assets to investment properties. The 2003 comparatives have been adjusted accordingly.

On 30 June 2004, Mr AG Stewart and Mr AP Washington, registered valuers with DTZ New Zealand Limited independently valued CentrePort's operational port freehold land. The valuations were based on the assets highest and best use. All other fixed assets are included at cost less accumulated depreciation.

The discount on acquisition of fixed assets resulted from the purchase by Port Investments Ltd of 76.9% of CentrePort Ltd in 1998/99.

The parent, WRC Holdings Ltd, does not hold any fixed assets

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 9

Taxation **Expense** Calculation

	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Operating surplus before taxation	4,708	6,063	1,014	1,333
Income taxation on the surplus for the year at **33%**	1,554	2,001	335	440
Adjusted for permanent differences				
Imputation credits	(550)	(12)		
Non-assessable income	541	108	(368)	(471)
Timing differences not recognised	(127)	(328)		
2004 *tax* loss not recognised	33	31	33	31
Prior period adjustment	31)	(134)		
Taxation Expense	1,420	1,666		
The Taxation Expense is represented by:				
Current year taxation	1,349	1,908		
		(242		
Taxation Expense	1,420	1,666		
Future **Taxation Benefit Comprises**				
Opening balance	1,338	1,145		
Current year movement	(71)	242		
Prior year adjustment	(150)	(49)		
Future Taxation Benefit	1,117	1,338		

The financial statements accure subvention payments for the utilisation of losses incurred by Greater Wellington Regional Council of **$470,091** payable by Pringle House Ltd. A subvention payment of **$422,478** was made by Pringle House Ltd relating to the *2003* tax losses of Greater Wellington **Regional** Council that were utilised in that year.

On *22* September **1998** WRC Holdings Ltd, its wholly owned subsidiaries and the Centreport Ltd 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 Ltd **,** and in particular, the deductibility of interest to **Port** Investments Ltd **and** WRC Holdings **Ltd in** relation to money borrowed to acquire the company.

A deferred *tax* **asset** of **$6.26** million **(2003** *$6.29* million), 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, **$6.1** million relates to Centreport **Ltd .**

WRC Holdings Limited has unrecognised tax losses of **$0.37m** (2003: **$0.27m)** available **to** be carried forward and to be offset against taxable income in the future. The tax effect of these losses is $0.12m **(2003: $0.09m).** WRC Holdings Ltd's ability to carry forward tax **losses** is contingent upon them continuing to meet the requirements of the Income Tax Act **1994.**

NOTE 10

Imputation Credit Account

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Opening balance	8,610	8,319	65	114
Movements	(359)	291	291	(49)
Total Imputation Credits	8,251	8,610	356	65

The imputation credits available to the shareholders **of** the parent company **as** at **30** June **2004** include imputation credits available through direct shareholding in the parent company and through indirect interests in subsidiaries.

Imputation credits available to the shareholders of the parent company as at **30** June **2004** are:

	2004	2003
	$000	$000
Through direct shareholding in the parent company	356	65
Through indirect interests in subsidiaries	7,895	8,545

NOTE 11

Dividends

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Interim distributions: dividend paid on ordinary shares	369	383		
Proposed distributions: proposed dividend on ordinary shares	614	1,203	323	788
Total Dividends Declared	983	1,586	323	788

NOTE 12

External Debt

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Bank loans	68,100	67,500	44,000	44,000
Other debt	161	215		
Total External Debt	68,261	67,715	44,000	44,000

The parent has a bank loan facility of **$44** million (drawn to $44 million) 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 **2004 was 6.44%** p.a. **(30** June **2003: 5.95%** p.a.)

CentrePort Ltd has a bank loan facility of **$40** million (drawn to **$24.1** million) which is unsecured and matures on **14** April **2006.** The interest **rate** charged **on** the facility as at **30** June 2004 ranged from **5.8%** to **6.6%** p.a. Subsequent **to balance** date, the New Zealand dollar commercial bill facility **was** increased to **$55** million **from $40** million.

CentrePort Ltd has other debt which is 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.** Interest is not charged **on** this debt.

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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 **surplus** of **$120,000** (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 is exposed to interest rate risk primarily through its cash balances and advances, bank overdrafts and borrowings. To minimise **this risk,** management monitors the levels of market interest rates on an on going 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 following forward rate **and** swap agreements that had interest rates ranging **from** 5.7% to **6.4%** p.a. and maturities of:

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Less than one year	79500	7,000	-	-
One to two years	2,500	7,500	-	-
Two to three years	8,000	2,500	-	-

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	
	2004	2003	2004	2003
	$000	$000	$000	$000
Cash and deposits		228	1	1
Receivables **and** prepayments	5320	4,864	774	1,218
Term investments	1,150	1,350		

No collateral is held on the above amounts except **for** those disclosed in note 7. All amounts owed to the parent are **from** related parties. Greater Wellington **Regional** Council current accounts are not considered **a** credit risk.

Concentrations of Credit Risk
The **group's** major concentration of credit risk is in respect to its $1,150,000 term investments. The group is not exposed to any other concentrations **of** credit risk.

Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in raising funds at short notice to meet its financial commitments as they **fall** due. To reduce the exposure to liquidity risk, CentrePort Ltd has both overdraft and New Zealand dollar commercial bill facilities (see **note 12).**

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 14

Non-cancellable Operating Lease Commitments

	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Less than one year	485	438		
One to two years	278	226		
Two to five years	600	151		
	1,363	815		

NOTE 15

Reconciliation of Net Surplus After Taxation with Cash Flows from Operating Activities

	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Net surplus after taxation	31,415	4,942	1,014	1,333
Add /(Less) Non Cash Items:				
Depreciation	4,402	4,426		
(Gain)/loss on sale of fixed assets	(183)	(6)		
Fixed assets written off	634	-		
Equity accounted earnings from associate companies	(85)	(6)		
(Increase)/decrease in value of investment properties	(28,127)	(545)		
(Increase)/decrease in value of investments	-	-	(691)	(545)
(Increase)/decrease in future taxation benefit	221	(193)		
Add /(Less) Movements in Working Capital.				
(Increase)/decrease in accounts receivable	(656)	(1,480)	444	1,039
(Increase)/decrease in inventory	(85)	(7)		
(Increase)/decrease in tax refund due	(328)	308		
(Increase)/decrease in current account - Greater Wellington Regional Council	10	1,626	12	(8)
Increase/(decrease) in accounts payable	292	1,786	(456)	(1,031)
Add /(Less) Items Classified as Investing and Financing Activities:				
Dividends paid/payable	589	690	465	1,012
Increase/(decrease) in current accounts relating to financing activities	(333)	(2,448)	93	100
Movement in accounts payable related to fixed assets	(264)	407		
Movement in accounts receivable related to fixed assets	386	-		
Net Cash Inflows From Operating Activities	7,888	9,500	881	1,900

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 16

Related Parties

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

	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Greater Wellington Regional Council				
Interest income on inter company current accounts	116	137	4	4
Rental income received	1,146	1,110		
Proposed dividend	(323)	(788)	(323)	(788)
Payment for management fees	(259)	(233)	(76)	(68)
WRC Holdings Subsidiaries				
Dividend income from Port Investments Ltd and Pringle House Ltd			425	881
Interest income on Port Investments Ltd advance			2,628	2,773
CentrePac Ltd				
Income received from rent and services performed.	173	150		
Medical Waste (Wellington) Ltd				
Income received from rent and services performed.	47	60		
Waste disposal expenditure.	(167)	(172)		
Transport Systems 2000 Ltd				
Income received from rent and services performed	393	349		

During the year CentrePort Ltd subsidiaries charged their parent $15,714,000 (2003: $14,818,000) for lease rentals.

Subvention payments by CentrePort LTD advanced to Greater Wellington Regional Council and its subsidiaries totalled $2,749,000 (2003: $921,000).

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

Directors Fees:

The Hon M K Shields, Messrs T J McDavitt and F R Long, received a salary from Greater Wellington Regional Council in accordance with the Local Government Elected Members Determination 2003 and out-of-pocket expenses incurred as set in Greater Wellington Regional Council's policy on members' allowances and expenses.

Other Directors' remuneration paid during the year

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

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 17

Contingent Liabilities

The following contingent liabilities existed at 30 June 2004:

Parent Company
The parent company has uncalled capital in Port Investments Ltd of $10,000,100 (2003: $10,000,100).

Subsidiary Companies - Centreport Ltd
In respect of Centreport Ltd the following contingent liabilities existed at 30 June 2004:

A party has commenced litigation disputing the level of the Centreport Ltd charges and seeking some reimbursement of charges paid. Centreport Ltd has lodged counter claims against this party for breach of contract in respect of charges that have been withheld. The charges determined by Centreport Ltd as appropriate, are included within trade receivables (Note 5) at balance date. Professional advice indicates that Centreport Ltd has no significant further exposure to this claim.

NOTE 18

Capital Commitments

The following capital commitments existed at 30 June 2004:

Parent Company
The parent company has no capital commitments (2003: Nil).

Subsidiary Companies - Centreport Ltd
At balance date there were commitments in respect of contracts for capital expenditure of $20,692,000 (2003: $2,141,000).

NOTE 19

Events after Balance Date.

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

NOTE 20

Segment Information

The WRC Holdings Group's operations can be split into property, port operation and investment segments. All operations are carried out within New Zealand.

	Port Operations 2004 $000	Property 2004 $000	Other Operations 2004 $000	Eliminations 2004 $000	Group 2004 $000
Total revenue (including increase in the net current value of investment properties)	39,162	33,268	3,058	(5,587)	69,901
Net surplus after tax	4,405	28,954	1,014	(2,958)	31,415
Total assets at 30 June 2004	166,458	57,504	53,260	(98,900)	178,322

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 21

Financial Results Compared with Statement of Intent (SOI) Targets:

	Actual 2004 $000	Target 2004 $000	Actual 2003 $000
Net profit before tax	5,178	7,384	6,485
Net profit after tax	31,415	4,787	4,942
Return on total assets	6.6 %	10.5%	10.9%
Return on shareholder equity (excluding increase in value of investment property)	5.7%	21.1%	24.6%
Return on shareholder equity (including increase in value of investment property)	53.7 %	21.1%	29.1%
Dividends	323	1,036	788

The non-financial aspects of the SOI targets are enclosed in the Directors Report.

Audit New Zealand

AUDIT REPORT

TO THE READERS OF WRC HOLDINGS LTD. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of WRC Holdings Limited (the company). The Auditor-General has appointed me, Tony Uttley, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company, on his behalf, for the year ended 30 June 2004.

Unqualified opinion

In our opinion:

- the financial statements of the company on pages 8 to 24:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company's financial position as at 30 June 2004; and
    - the results of its operations and cash flows for the year ended on that date.
- the performance information of the company on page 24 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2004.
- based on our examination the company kept proper accounting records.

The audit was completed on 14 September 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the mformation and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we .would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifylng samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company as at 30 June 2004. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 30 June 2004. The Board of Director's responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements **and** performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section **69** of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company.

A. Uttley

Tony Uttley
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand