

**WRC HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2001**

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## WRC HOLDINGS LIMITED

### DIRECTORY

#### Directors

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

#### Secretary

E P Maguire

#### Registered Office

142-146 Wakefield Street  
Wellington

#### Auditors

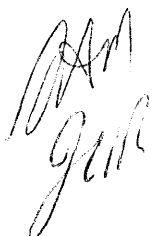
Audit New Zealand  
on behalf of the Controller and Auditor-General

#### Solicitors

Chapman Tripp Sheffield Young

#### Bankers

The National Bank of New Zealand Limited

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**WRC HOLDINGS LIMITED**  
**STATUTORY REPORT OF DIRECTORS**  
**For the Year Ended 30 June 2001**

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 2001.

**Principal Activities**

WRC Holdings Ltd is an investment holding company of the Wellington Regional Council. The Group consists of WRC Holdings Limited and its wholly owned subsidiary companies Port Investments Limited and Pringle House Ltd.

The primary objectives of the group are:

- To operate as a successful and responsible business.
- To 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.
- To own Wellington Regional Council's interest in CentrePort Ltd and to maximise the commercial value to the shareholders and to protect the shareholders investment.
- To effectively manage any other investments held in the group to maximise commercial value to the shareholders and to protect the shareholders investment.
- To operate in an environmentally responsible manner.

**Results**

- Net Profit Before Tax was \$7,183,000 compared to a target of \$6,657,000
- Net Profit After Tax was \$4,528,000 compared to a target of \$4,112,000
- Return on Total Assets was 12.6% compared to a target of 12.2%
- Return on Shareholder Equity was 41.9% compared to a target of 27.3%
- Dividends were \$900,000 compared to a target of \$263,000

**Dividends**

Interim	0
Final	900,000
Total	<u>900,000</u>

**Directors**

Directors holding office during the year were:

**Parent & Wholly Owned Subsidiaries**

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

**Subsidiary – CentrePort Limited**

N J Gould  
M J Cashin (appointed 26 April 2001)  
K D Harris  
J G Jefferies  
E M M Johnson  
B K Knowles (deceased 6 August 2000)  
D J Setter (appointed 29 August 2000, resigned 25 June 2001)  
H J Stone

**Remuneration of Directors of the Parent Company**

Directors' remuneration received during the year was as follows:

S A Macaskill	Nil
A E McQueen	Nil
A M Lawson	\$3,125
J W Rowe	\$3,125
Hon M K Shields	Nil



**Entries in the Interests Register**

Disclosure of Interests by Directors for the year ended 30 June 2001:

**S A Macaskill**

- Chairman of the Wellington Regional Council

**A E McQueen**

- Councillor of the Wellington Regional Council

**A M Lawson**

- None

**J W Rowe**

- None

**Hon M K Shields**

- Deputy Chair of the Wellington Regional Council

Directors 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 paid over \$100,000.

**Auditor**

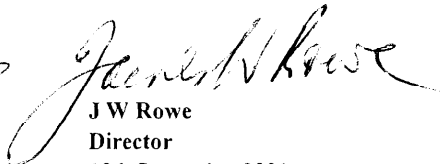
The Audit Office continues in office in accordance with Section 594 of the Local Government Act 1974. The Controller and Auditor-General has appointed E M Mason of Audit NZ to undertake the audit.

For, and on behalf of, the Board of Directors



**S A Macaskill**  
Director

18th September 2001



**J W Rowe**  
Director

18th September 2001

**WRC HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the Year Ended 30 June 2001**

	Notes	Group		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
REVENUE		39,912	40,363	4,201	4,436
Expenses		(32,729)	(31,880)	(3,284)	(2,648)
<b>OPERATING SURPLUS BEFORE SUBVENTION &amp; TAXATION</b>		<b>7,183</b>	<b>8,483</b>	<b>917</b>	<b>1,788</b>
Subvention Payment	2	(506)	(536)	-	(164)
<b>OPERATING SURPLUS BEFORE TAXATION</b>		<b>6,677</b>	<b>7,947</b>	<b>917</b>	<b>1,624</b>
Taxation (Expense) / Credit	7	(2,149)	(2,501)	-	-
<b>SURPLUS AFTER TAXATION</b>	14	<b>4,528</b>	<b>5,446</b>	<b>917</b>	<b>1,624</b>
Share of Surplus applicable to Minority Interest	3	(1,593)	(1,671)	-	-
Share of Earnings of Associate Company after Taxation and Dividends		143	80	-	-
<b>SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>		<b>3,078</b>	<b>3,855</b>	<b>917</b>	<b>1,624</b>

**WRC HOLDINGS LIMITED**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**For the Year Ended 30 June 2001**

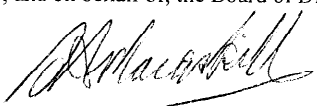
	Notes	Group		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>EQUITY - OPENING BALANCE</b>		<b>19,140</b>	<b>20,785</b>	<b>7,340</b>	<b>11,883</b>
Total Recognised Revenue & Expenses		3,078	3,855	917	1,624
Contribution to Owners of Parent Company		(900)	(1,700)	(900)	(1,700)
Issue of Ordinary Shares		-	20,000	-	20,000
Buyback of Ordinary Shares		-	(9,500)	-	(9,500)
Redemption of Redeemable Preference Shares		-	(14,967)	-	(14,967)
Movements in Minority Interest	3	647	667	-	-
<b>EQUITY - CLOSING BALANCE</b>	5	<b>21,965</b>	<b>19,140</b>	<b>7,357</b>	<b>7,340</b>

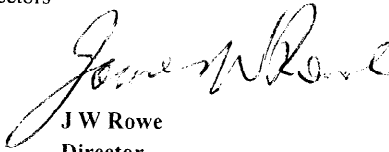
The Accounting Policies and Notes form part of these Financial Statements.

**WRC HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2001**

	Notes	Group		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>EQUITY</b>	5	21,965	19,140	7,357	7,340
Represented by:					
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Fixed Assets	6	79,776	73,598	-	-
Future Taxation Benefit	7	1,181	1,066	-	-
Investments	9	7,645	7,767	49,411	49,511
<b>Total Non Current Assets</b>		<b>88,602</b>	<b>82,431</b>	<b>49,411</b>	<b>49,511</b>
<b>Current Assets</b>					
Cash and Deposits		-	163	1	38
Receivables and Prepayments	10	3,850	3,235	1,459	2,110
Current Account- Wellington Regional Council	10	3,038	3,706	(40)	4
Current Account- Pringle House Ltd	10	-	-	1,800	1,800
Inventories		324	315	-	-
Tax Refund		746	527	-	-
<b>Total Current Assets</b>		<b>7,958</b>	<b>7,946</b>	<b>3,220</b>	<b>3,952</b>
<b>TOTAL ASSETS</b>		<b>96,560</b>	<b>90,377</b>	<b>52,631</b>	<b>53,463</b>
Less:					
<b>LIABILITIES</b>					
<b>Non Current Liabilities</b>					
Bank Borrowing	11	65,800	62,850	44,000	44,000
<b>Current Liabilities</b>					
Bank Overdraft		19	-	-	-
Creditors and Accruals		5,913	4,739	374	423
Provision for Employee Entitlements		1,917	1,797	-	-
Provision for Maintenance		-	105	-	-
Provision for Dividend	4	946	1,746	900	1,700
<b>Total Current Liabilities</b>		<b>8,795</b>	<b>8,387</b>	<b>1,274</b>	<b>2,123</b>
<b>TOTAL LIABILITIES</b>		<b>74,595</b>	<b>71,237</b>	<b>45,274</b>	<b>46,123</b>
<b>NET ASSETS</b>		<b>21,965</b>	<b>19,140</b>	<b>7,357</b>	<b>7,340</b>

For, and on behalf of, the Board of Directors

  
 S A Macaskill  
 Director  
 18 September 2001

  
 J W Rowe  
 Director  
 18 September 2001

The Accounting Policies and Notes form part of these Financial Statements.

**WRC HOLDINGS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 30 June 2001**

	Notes	Group		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Receipts from Customers		37,787	38,369	-	-
Dividends Received		30	70	1,700	6,000
Interest Received		36	7	3,151	2,325
<i>Cash was Disbursed to:</i>					
Payments to Suppliers and Employees		(22,501)	(23,433)	-	-
Restructuring Costs Paid		(286)	(689)	-	-
Subvention Payments to WRC		(535)	(560)	(163)	(163)
Income Taxation Paid		(2,500)	(2,550)	-	-
Interest Paid		(4,373)	(3,200)	(3,151)	(2,325)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	14	<b>7,658</b>	<b>8,014</b>	<b>1,537</b>	<b>5,837</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Proceeds from Sale of Fixed Assets		69	95	-	-
<i>Cash was Applied to:</i>					
Purchase of Fixed Assets		(9,417)	(9,575)	-	-
Investment in Shares		-	(3,255)	-	-
Advance to Subsidiary Company		-	(30)	-	(3,200)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(9,348)</b>	<b>(12,765)</b>	<b>-</b>	<b>(3,200)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Term Debt		2,950	8,600	-	3,200
Movement in Current Account - WRC		1,204	8,130	126	4,660
Issue of Ordinary Share Capital		-	20,000	-	20,000
<i>Cash was Applied to:</i>					
Redemption of Preference Share Capital		-	(14,967)	-	(14,967)
Redemption of Ordinary Share Capital		-	(9,500)	-	(9,500)
Dividends Paid		(2,646)	(7,338)	(1,700)	(6,000)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,508</b>	<b>4,925</b>	<b>(1,574)</b>	<b>(2,607)</b>
Net Increase/ (decrease) in Cash Held		(182)	174	(37)	30
Add Opening Cash Brought Forward		163	(11)	38	8
<b>CLOSING CASH BALANCE</b>		<b>(19)</b>	<b>163</b>	<b>1</b>	<b>38</b>

The Accounting Policies and Notes form part of these Financial Statements.

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

**NOTE 1**

**Statement of Accounting Policies**

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**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 Local Authority Trading Enterprise as defined in S594 of the Local Government Act 1974.

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 1974.

**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.

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

Accrual accounting is used to match income and expenses.

**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.



**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

**1.3 Leases**

The Group leases certain land, buildings, vehicles and wharves. 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:

Wharves and Paving	10 to 50 years
Buildings	20 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 or net asset backing.

Investment properties are revalued annually to net current value. The result of the revaluation 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 has been made 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 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. A deferred tax benefit is only recognised if there is virtual certainty of realisation.

**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 2001**

**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. All significant inter-company transactions are eliminated on consolidation.

**1.12 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 can 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.

**1.13 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.

**1.14 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 changes in accounting policies since the date of the last audited financial statements.

**1.15 Comparatives**

Where necessary, comparatives have been restated to assist comparability.



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**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

**NOTE 2**

**Operating Surplus before Subvention and Taxation**

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>Operating Surplus before Subvention and Taxation</b>	<b>7,183</b>	<b>8,483</b>	<b>917</b>	<b>1,788</b>
<i>After Crediting:</i>				
<b>REVENUE</b>				
Rental Revenue	1,299	1,270	-	-
Dividends from Associate	30	70	-	-
Dividends from Subsidiaries	-	-	1,100	1,700
Interest Revenue	181	486	3,101	2,736
<i>After Charging:</i>				
<b>EXPENSES</b>				
Bad Debts Write Off	8	41	-	-
Change in Provision for Doubtful Debts	100	7	-	-
Directors Fees	147	174	6	6
Depreciation	3,643	3,435	-	-
Fees paid to Company Auditors	61	64	7	9
Fees paid to Company Auditors for Other Services	-	-	-	-
Interest Expense	4,305	3,438	3,102	2,485
(Profit)/Loss on Sale of Fixed Assets	(31)	170	-	-
Rental and Lease Expenses	808	809	-	-
Restructuring Costs	286	89	-	-
Write down of Investment in subsidiaries	-	-	101	68
Write down of Investment Property	265	225	-	-
Retiring Allowances	-	64	-	-

**NOTE 3**

**Minority Interests**

	Group	
	2001 \$000	2000 \$000
Opening Balance	12,888	12,221
Minority share of operating surplus	1,593	1,671
Minority dividends paid or payable	(946)	(1,004)
<b>Closing Balance (Note 5)</b>	<b>13,535</b>	<b>12,888</b>

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 2001**

## NOTE 4

## Dividends

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Interim Distributions: Dividend Paid on Ordinary Shares	900	958	-	-
Proposed Distributions: Proposed Dividend on Ordinary Shares	946	1,746	900	1,700
<b>Total Dividends Declared</b>	<b>1,846</b>	<b>2,704</b>	<b>900</b>	<b>1,700</b>

## NOTE 5

## Equity

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>Ordinary Share Capital</b>				
50,000,000 \$1 shares, uncalled, issued without a premium	-	-	-	-
34,541,100 \$1 shares, fully paid, issued without a premium	34,541	34,541	34,541	34,541
<b>Redeemable Preference Share Capital</b>				
25,000 \$1000 shares, paid to 1 cent, issued without a premium	-	-	-	-
Total Share Capital	34,541	34,541	34,541	34,541
Retained Earnings	(26,111)	(28,289)	(27,184)	(27,201)
Minority Interest (Note 3)	13,535	12,888	-	-
<b>Total Equity</b>	<b>21,965</b>	<b>19,140</b>	<b>7,357</b>	<b>7,340</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

NOTE 6

Fixed Assets

	Cost	Revaluation	Accumulated Depreciation	Net Book Value
	\$000	\$000	\$000	\$000
<b>Group - 2001</b>				
Freehold Land	35,539	(832)	-	34,707
Buildings, Wharves and Paving	52,767	(589)	(18,111)	34,067
Cranes and Floating Plant	9,219	(72)	(3,687)	5,460
Plant, Vehicles, Furniture and Equipment	20,572	(125)	(14,905)	5,542
<b>Total Fixed Assets</b>	<b>118,097</b>	<b>(1,618)</b>	<b>(36,703)</b>	<b>79,776</b>
<b>Group - 2000</b>				
Freehold Land	35,539	(832)	-	34,707
Buildings, Wharves and Paving	44,677	(589)	(15,983)	28,105
Cranes and Floating Plant	8,105	(72)	(3,348)	4,685
Plant, Vehicles, Furniture and Equipment	22,265	(125)	(16,039)	6,101
<b>Total Fixed Assets</b>	<b>110,586</b>	<b>(1,618)</b>	<b>(35,370)</b>	<b>73,598</b>

A Directors valuation of all Group freehold land (other than land associated with investment property) was completed in June 1999. The valuation confirmed that the total value of all freehold land held by the Group was \$43 million.

The revaluation of fixed assets was a necessary component of the acquisition by Port Investments Ltd of 77% 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 2001**

NOTE 7

**Taxation**

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>Taxation Expense</b>				
The Income Taxation Expense has been calculated as follows:				
Operating Surplus before Taxation	6,677	7,947	917	1,624
Income Taxation on the Surplus for the Year at 33%	2,203	2,623	303	536
<b>Adjusted for permanent differences</b>				
Imputation Credits	(15)	(34)	-	-
Non-assessable income	-	-	(363)	(561)
Non-deductible expenditure	185	172	33	25
Timing differences not recognised	(198)	(152)	-	-
2001 tax loss not recognised	27	-	27	-
Depreciation	-	(20)	-	-
Prior Period Adjustment	(53)	(88)	-	-
<b>Taxation Expense / (Credit)</b>	<b>2,149</b>	<b>2,501</b>	<b>-</b>	<b>-</b>

The Taxation Expense is represented by:

Current Year Taxation	2,315	2,188	-	-
Future Taxation Benefit	(166)	313	-	-
<b>Taxation Expense / (Credit)</b>	<b>2,149</b>	<b>2,501</b>	<b>-</b>	<b>-</b>

**Future Taxation Benefit Comprises**

Opening Balance	1,066	1,356	-	-
Current Year Movement	166	(313)	-	-
Prior Year Adjustments	(51)	23	-	-
<b>Future Taxation Benefit</b>	<b>1,181</b>	<b>1,066</b>	<b>-</b>	<b>-</b>

The financial statements accrue subvention payments for the utilisation of losses incurred by the Wellington Regional Council of \$506,408 payable by Pringle House Limited. A subvention payment of \$371,605 was made by Pringle House limited and \$163,515 by WRC Holdings Limited to the Wellington Regional Council in relation to an amount accrued in the 2000 year.

On 22 September 1998 WRC Holdings Limited and its 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 \$7.62M (2000 \$7.144M), 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 the realisation of that asset. Of this amount, \$6.9M relates to CentrePort Limited.

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

NOTE 8

**Imputation Credit Account**

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Opening Balance	6,060	7,027	15	15
Opening Balance of CentrePort & Subsidiaries	-	-	-	-
Movements	1,113	(967)	-	-
<b>Closing Balance</b>	<b>7,173</b>	<b>6,060</b>	<b>15</b>	<b>15</b>

The imputation credits available to the shareholders of the parent company as at 30 June 2001 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 2001 are:

Through direct shareholding in the Parent Company	15	15
Through indirect interests in Subsidiaries	7,158	6,045

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

**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	
		2001	2000	2001	2000
Pringle House Limited	Subsidiary	(100%)		Property Owner	
Port Investments Limited	Subsidiary	(100%)		Investment Management	
CentrePort Limited	Subsidiary	(76.9%)		Port Operations	
Container Terminals Limited	Subsidiary	(76.9%)		Inactive Company	
Port of Wellington (1988) Limited	Subsidiary	(76.9%)		Container Packing	
Port Wellington Limited	Subsidiary	(76.9%)		Inactive Company	
Medical Waste Limited	Associate	(38.5%)		Incineration of Waste	
CentrePac Limited	Associate	(38.5%)		Container Packing	
Transport Systems 2000 Limited	Associate	(38.5%)		Container Depot	

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
<b>Investments in Subsidiary Companies</b>				
Investments are stated at the lower of cost and net asset backing and comprise:				
Pringle House Limited	-	-	5,411	5,511
Port Investments Limited	-	-	-	-
<b>Investment in Associate Companies</b>				
Shares in Associate Companies at Cost	461	461	-	-
Share of Post-Acquisition Retained Earnings	304	161	-	-
<b>Other Investments</b>				
Investment Property	6,880	7,145	-	-
Advance to Subsidiary	-	-	44,000	44,000
<b>Total Investments</b>	<b>7,645</b>	<b>7,767</b>	<b>49,411</b>	<b>49,511</b>

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 2001 was 6.33% p.a.(30 June 2000 7.21% p.a.)

Investment properties representing the Regional Council Centre at 142-146 Wakefield Street, Wellington were valued as at 30 June 2001 by Richard Ellis (Wellington) Limited.



**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

**NOTE 10**

**Receivables, Prepayments & Current Accounts**

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Trade Receivables	3,277	2,829	-	-
Prepayments and Other Receivables	494	344	-	-
Shareholder Subvention Payment	29	12	-	-
Associate Company Advance	50	50	-	-
Interest Receivable	-	-	359	410
Dividends Receivable	-	-	1,100	1,700
<b>Total Receivables and Prepayments</b>	<b>3,850</b>	<b>3,235</b>	<b>1,459</b>	<b>2,110</b>
<b>Current Accounts</b>				
Current Account - PHL	-	-	1,800	1,800
Current Account - WRC	3,038	3,706	(40)	4
<b>Total Current Accounts</b>	<b>3,038</b>	<b>3,706</b>	<b>1,760</b>	<b>1,804</b>

**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 company and matures on 28 October 2006. The interest rate charged on the facility as at 30 June 2001 was 6.33% p.a. (30 June 2000 7.21% p.a.)

CentrePort has a bank loan facility drawn to \$21,800,000 which is unsecured and matures on 14 April 2002. The interest rate charged on the facility as at 30 June 2001 ranged from 5.9% to 6.1% p.a.

**NOTE 12**

**Operating Leases**

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Lease commitments for non-cancellable operating leases as at balance date were:				
Less than One Year	160	372	-	-
One to Two Years	-	148	-	-
	<b>160</b>	<b>520</b>	<b>-</b>	<b>-</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

**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 \$84,000 (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**

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	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Less than One Year	11,000	2,000	-	-
One to Two Years	6,000	11,000	-	-
Two to Three Years	3,000	-	-	-
Three to Four Years	5,000	-	-	-

**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	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Cash and Deposits	(19)	163	1	38
Receivables	3,850	3,235	1,459	2,110

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 is not exposed to any significant 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 \$33,000,000. (2000: \$25,000,000). Of these \$21,822,000 (2000 \$18,850,000) has been drawn down by CentrePort at balance date.

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

NOTE 14

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

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Reported Surplus After Taxation and before including Share of Retained Surplus of Associate Companies	4,528	5,446	917	1,624
<b>Add (Less) Non Cash Items:</b>				
Depreciation	3,643	3,435	-	-
(Profit)/Loss on Sale of Fixed Assets	(31)	170	-	-
(Increase)/Decrease in Value of Investment Properties	265	225	101	68
Increase in Future Taxation Benefit	(115)	290	-	-
<b>Add (Less) Movements in Working Capital:</b>				
(Increase)/Decrease in Accounts Receivable	(617)	121	650	4,138
Increase/(Decrease) in Accounts Payable	391	(4,897)	(849)	(4,126)
Increase/(Decrease) in Current Account - Wellington Regional Council	668	7,312	44	4,493
Decrease in Inventory	(9)	6	-	-
(Increase)/Decrease in Taxation Refund - Other	(219)	(406)	-	-
<b>Add (Less) Items Classified as Investing and Financing Activities:</b>				
Dividends Paid/Payable	800	4,634	800	4,300
Loan to Associate Company	-	30	-	-
Increase in Current Accounts relating to Financing Activities	(1,204)	(8,130)	(126)	(4,660)
Increase in Accounts Payable related to Fixed Assets	(442)	(222)	-	-
<b>Net Cash Inflow From Operating Activities</b>	<b>7,658</b>	<b>8,014</b>	<b>1,537</b>	<b>5,837</b>

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**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

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	
	2001	2000	2001 \$000	2000 \$000
<b>Wellington Regional Council</b>				
Income received from interest on inter company current accounts	144	390	-	251
Proposed Dividend	(900)	(1,700)	(900)	(1,700)
Payment for Management Fees	(190)	(115)	(60)	(23)
Income received from rent and services performed.	24	27		
Income received for use of navigational facilities.	(550)	(550)		
<b>WRC Holdings Subsidiaries</b>				
Dividend Income from PIL	-	-	1,100	1,700
Interest Income on PIL Advance	-	-	3,101	2,485
<b>CentrePac Limited</b>				
Income received from rent and services performed.	149	151	-	-
<b>Medical Waste (Wellington ) Ltd</b>				
Income received from rent and services performed.	84	108	-	-
Waste disposal expenditure.	(198)	(183)	-	-
<b>Transport Systems 2000 Limited</b>				
Income received from rent and services performed	312	284	-	-

During the year CentrePort Subsidiaries charged their parent \$14,163,000 (2000:\$13,799,000) for lease rentals.

Subvention payments were made to Wellington Regional Council and its subsidiaries totalling \$979,000 (2000: \$787,000) (Group) and \$490,000 (2000: \$304,000) (CentrePort).

**Directors Fees:**

S A Macaskill receives a salary from Wellington Regional Council. A E McQueen and Hon M K Shields are entitled to a daily allowance of \$190 for attending WRC Holdings Group meetings on those days where they are not receiving an allowance for attendance at a Wellington Regional Council meeting. A M Lawson and J W Rowe each received directors fees of \$3,125 during the year.

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



**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

**NOTE 16**

**Contingent Liabilities**

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The following contingent liabilities existed at 30 June 2001:

**Parent Company**

The Parent Company has uncalled capital in Port Investments Limited of \$10,000,100. (2000: \$10,000,100).

**Subsidiary Companies - CentrePort Limited**

Customers of CentrePort Limited have commenced litigation disputing the level of the Company's charges and seeking some reimbursement of charges paid. CentrePort has lodged counter claims against the customers for breach of contract in respect of fees 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 customer claims.

**NOTE 17**

**Capital Commitments**

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The following capital commitments existed at 30 June 2001:

**Parent Company**

The Parent Company has no capital commitments. ( 2000: Nil )

**Subsidiary Companies - CentrePort Limited**

At balance date there were commitments in respect of contracts for capital expenditure of \$4,149,000 (2000: \$77,000).



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**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2001**

NOTE 18

Segment Information

The WRC Holdings Limited 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 2001	Other Operations 2001	Eliminations 2001	Consolidated Operations 2001
<b>Operating Revenue</b>				
Sales to customers outside the group	38,460	1,452		39,912
Inter segment revenue		4,201	(4,201)	-
<b>Total Revenue</b>	<b>38,460</b>	<b>5,653</b>	<b>(4,201)</b>	<b>39,912</b>
<b>Segment Result</b>	<b>6,860</b>	<b>1,322</b>	<b>(999)</b>	<b>7,183</b>
<b>Segment Assets</b>	<b>14,609</b>	<b>12,767</b>	<b>(5,411)</b>	<b>21,965</b>

	Port Operations 2000	Other Operations 2000	Eliminations 2000	Consolidated Operations 2000
<b>Operating Revenue</b>				
Sales to customers outside the group	38,711	1,652		40,363
Inter segment revenue		4,185	(4,185)	-
<b>Total Revenue</b>	<b>38,711</b>	<b>5,837</b>	<b>(4,185)</b>	<b>40,363</b>
<b>Segment Result</b>	<b>8,023</b>	<b>2,091</b>	<b>(1,631)</b>	<b>8,483</b>
<b>Segment Assets</b>	<b>11,801</b>	<b>12,850</b>	<b>(5,511)</b>	<b>19,140</b>

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**REPORT OF THE AUDIT OFFICE**

**TO THE READERS OF THE FINANCIAL STATEMENTS OF  
WELLINGTON REGIONAL COUNCIL HOLDINGS LIMITED AND GROUP  
FOR THE YEAR ENDED 30 JUNE 2001**

We have audited the financial statements on pages 5 to 21. The financial statements provide information about the past financial and service performance of Wellington Regional Council Holdings Limited and group and its financial position as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 8 to 10.

**Responsibilities of the Council**

The Local Government Act 1974 requires the Board of Directors (the Board) to prepare financial statements which fairly reflect the financial position of WRC Holdings Limited and group as at 30 June 2001 and the results of its operations and cash flows and service performance achievements for the year ended 30 June 2001.

**Auditor's responsibilities**

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

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

**Basis of opinion**

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

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Wellington Regional Council Holdings Limited or any of its subsidiaries.

### Unqualified opinion

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

In our opinion:

- ▲ the financial statements of Wellington Regional Council Holdings Limited and group on pages 5 to 21:
  - comply with generally accepted accounting practice *and*
  - fairly reflect:
    - the financial position as at 30 June 2001
    - the results of its operations and cash flows for the year ended on that date *and*
    - the service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 18 September 2001 and our unqualified opinion is expressed as at that date.



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