

**WRC HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

<u>Contents</u>	<u>Page</u>
<b>Directory</b>	<b>2</b>
<b>Directors' Report</b>	<b>3</b>
<b>Statement of Financial Performance</b>	<b>5</b>
<b>Statement of Movements in Equity</b>	<b>5</b>
<b>Statement of Financial Position</b>	<b>6</b>
<b>Statement of Cash Flows</b>	<b>7</b>
<b>Notes to the Financial Statements</b>	<b>8</b>
<b>Audit Report</b>	<b>22</b>

**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

**WRC HOLDINGS LIMITED**  
**STATUTORY REPORT OF DIRECTORS**  
**For the Year Ended 30 June 2000**

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 2000.

**Principal Activities**

WRC Holdings Ltd is an investment vehicle of the Wellington Regional Council. The object of the Company is to effectively manage any investments held, to maximise the commercial value to shareholders, while protecting the shareholders' long term interests.

The Group consists of WRC Holdings Limited and its wholly owned subsidiary companies Port Investments Limited and Pringle House Limited. In addition, Port Investments Limited owns 76.9% of CentrePort Limited (Formerly named Port Wellington Limited). CentrePort Limited was purchased by Port Investments Limited from the Wellington Regional Council on 28 October 1998.

Pringle House Limited owns and manages the Wellington Regional Council's main office at 142-146 Wakefield Street, Wellington (known as the Regional Council Centre).

**Results**

- Net Profit Before Tax was **\$8,483,000** compared to a target of **\$7,178,000**
- Net Profit After Tax was **\$5,446,000** compared to a target of **\$4,442,000**
- Return on Total Assets was 13.0% compared to a target of 11.2%
- Return on Shareholder Equity was 29.5% compared to a target of 16.7%
- Dividend Stream was **\$1,700,000** compared to a target of \$850,000

**Dividends**

Interim	so
Final	<u>\$1,700,000</u>
Total	<u><u>\$1,700,000</u></u>

**Directors**

Directors holding office during the year were:

**Parent & Wholly Owned Subsidiaries**

**Subsidiary – CentrePort Limited**

S A Macaskill A E McQueen A M Lawson J W Rowe Hon M K Shields	N J Gould K D Harris J G Jefferies E M M Johnson B K Knowles J A Morel (resigned 3 1 March 2000) H J Stone
---	--

**Remuneration of Directors**

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 Interest Register**

Disclosure of Interests by Directors for the year ended 30 June 2000:

**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

  
**M K Shields**  
**Director**  
28 September 2000

  
**J W Rowe**  
**Director**  
28 September 2000

**WRC HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the Year Ended 30 June 2000**

	Notes	Group		Parent	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
REVENUE		40,252	29,704	4,436	7,441
Expenses		(31,769)	(23,671)	(2,648)	(1,409)
OPERATING SURPLUS BEFORE SUBVENTION & TAXATION	2	8,483	6,033	1,788	6,032
Subvention Payment		(536)	(560)	(164)	(163)
OPERATING SURPLUS BEFORE TAXATION		7,947	5,473	1,624	5,869
Taxation Expense / (Credit)	7	2,501	1,864	-	
SURPLUS AFTER TAXATION	14	5,446	3,609	1,624	5,869
Share of Surplus applicable to Minority Interest	3	(1,671)	(992)	-	
Share of Earnings of Associate Company after Taxation and Dividends		80	(66)	-	
<b>SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>		<b>3,855</b>	<b>2,551</b>	<b>1,624</b>	<b>5,869</b>

**WRC HOLDINGS LIMITED**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**For the Year Ended 30 June 2000**

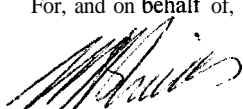
	Notes	Group		Parent	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
EQUITY - OPENING BALANCE		20,785	12,013	11,882	12,013
Total Recognised Revenue & Expenses		3,855	2,551	1,624	5,869
Contribution to Owners of Parent Company		(1,700)	(6,000)	(1,700)	(6,000)
Issue of Ordinary Shares		20,000		20,000	
Buyback of Ordinary Shares		(9,500)		(9,500)	
Redemption of Redeemable Preference Shares		(14,967)		(14,967)	
Pre-acquisition Minority Interest			13,686		
Movements in Minority Interest	3	667	(1,465)		
<b>EQUITY - CLOSING BALANCE</b>	<b>5</b>	<b>19,140</b>	<b>20,785</b>	<b>7,339</b>	<b>11,882</b>

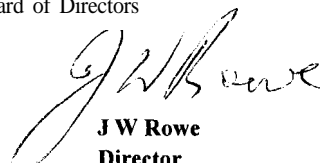
The Accounting Policies and Notes form part of these Financial Statements.

**WRC HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2000**

	Notes	Group		Parent	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>EQUITY</b>	5	19,140	20,785	7,539	11,882
Represented by:					
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Fixed Assets	6	73,598	64,495		
Future Taxation Benefit	7	1,066	1,356		
Investments	9	7,767	7,663	49,511	46,379
<b>Total Non Current Assets</b>		82,431	73,514	49,511	46,379
<b>Current Assets</b>					
Cash and Deposits		163		38	8
Receivables and Prepayments	10	6,941	14,374	3,913	12,544
Inventories		315	321		
Tax Refund		527	121	-	-
<b>Total Current Assets</b>		7,946	14,816	3,951	12,552
<b>TOTAL ASSETS</b>		90,377	88,330	53,462	58,931
Less:					
<b>-LIABILITIES</b>					
<b>Non Current Liabilities</b>					
Bank Borrowing	11	62,850	40,800	44,000	40,800
<b>Current Liabilities</b>					
Bank Overdraft			11		
Current portion of Bank Borrowing	11		13,450		
Creditors and Accruals		4,739	5,040	423	249
Provision for Employee Entitlements		1,797	1,759		
Provision for Maintenance		105	105		
Provision for Dividend	4	1,746	6,380	1,700	6,000
<b>Total Current Liabilities</b>		8,387	26,745	2,123	6,249
<b>TOTAL LIABILITIES</b>		71,237	67,545	46,123	47,049
<b>NET ASSETS</b>		19,140	20,785	7,339	11,882

For, and on behalf of, the Board of Directors

  
M.K Shields  
Director  
28 September 2000

  
J W Rowe  
Director  
28 September 2000

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

em

**WRC HOLDINGS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 30 June 2000**

	<i>Notes</i>	<b>Group</b>		<b>Parent</b>	
		<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Receipts from Customers		38,369	27,904		
Dividends Received		70	175	6,000	
Interest Received		7	470	2,325	953
Other Income			180		
Taxation Dispute Refund			2,532		
<i>Cash was Disbursed to:</i>					
Payments to Suppliers and Employees		(23,433)	(15,606)		
Restructuring Costs Paid		(689)	(697)		
Subvention Payment to WRC		(560)	(619)	(163)	
Income Taxation Paid		(2,550)	(2,684)		
Interest Paid		(3,200)	(1,734)	(2,325)	(953)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>8,014</b>	<b>9,921</b>	<b>5,837</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Proceeds from Sale of Fixed Assets		95	(2)	-	
Proceeds from Sale of Investments		-	3		
<i>Cash was Applied to:</i>					
Purchase of Fixed Assets		(9,575)	(2,158)		
Investment in Shares		(3,255)	(40,802)		
Advance to Subsidiary Company		(30)	(20)	(3,200)	(40,800)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(12,765)</b>	<b>(42,979)</b>	<b>(3,200)</b>	<b>(40,800)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Term Debt		8,600	40,800	3,200	40,800
Movement in Current Account - WRC		8,130	440	4,660	
Issue of Ordinary Share Capital		20,000		20,000	
<i>Cash was Applied to:</i>					
Settlement of Loans			600		
Redemption of Preference Share Capital		(14,967)		(14,967)	
Redemption of Ordinary Share Capital		(9,500)		(9,500)	
Movement in Current Account - WRC			(6,602)		
Dividends Paid		(7,338)	(2,077)	(6,000)	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4,925</b>	<b>33,161</b>	<b>(2,607)</b>	<b>40,800</b>
Net Increase in Cash Held		174	103	30	
Cash added on acquisition			(129)		
Add Opening Cash Brought Forward		(11)	15	8	8
<b>CLOSING CASH BALANCE</b>		<b>163</b>	<b>(11)</b>	<b>38</b>	<b>8</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 2000**

NOTE 1

**Statement of Accounting Policies**

---

**Reporting Entity**

WRC Holdings Limited is registered under the Companies Act 1993 and is a wholly owned subsidiary of the Wellington Regional Council.

The company is a 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 comprise 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 income is recognised as it is earned and dividend income is also recognised on an accrual basis.

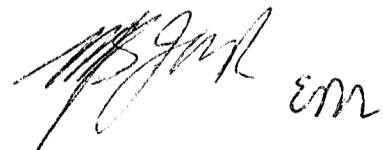
**1.2 Fixed Assets**

The Group has four classes of fixed assets:

- Land
- Buildings, Wharves and Paving
- 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.

Handwritten signature and initials, possibly 'M. J. ...' and 'EM'.



**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

**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
Floating Plant	10 to 50 years
Container Cranes	10 to 35 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 and construction purposes only.

**1.8 Income Taxation**

The Group follows the liability method of accounting for deferred taxation.

The income taxation expense charged against the surplus for the year is the estimated liability in respect of that surplus and is calculated after allowance for permanent differences and timing differences not expected to reverse in the foreseeable future.

Future taxation benefits attributable to timing differences or taxation losses carried forward are only recognised when there is virtual certainty that the benefit of the timing differences or taxation losses will be utilised by the Group.

**1.9 Goods and Services Tax (GST)**

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

Handwritten signature and initials, possibly 'M. J. R.' and 'em'.

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

**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 in relation to capital structure 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 whilst 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. All policies have been applied on a basis consistent with prior years.

**1.15 Comparatives**

Where necessary, comparatives have been restated to assist comparability.

A handwritten signature in black ink, appearing to be 'M. J. ...', with the initials 'EM' written to the right of the signature.

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

**NOTE 2**

**Surplus before Subvention and Taxation**

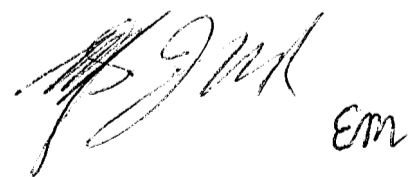
	<b>Group</b>		<b>Parent</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Surplus before Subvention and Taxation</b>	<b>8,483</b>	<b>6,033</b>	<b>1,788</b>	<b>6,032</b>
<i>Ajier Crediting:</i>				
<b>REVENUE</b>				
Rental Revenue	1,278	1,199	-	-
Dividends from Associate	70	175		
Dividends from Subsidiaries			1,700	6,000
Interest Revenue	486	485	2,736	1,441
<i>After Charging:</i>				
<b>EXPENSES</b>				
Bad Debts Write Off	41	34		
Change in Provision for Doubtful Debts	7	96		
Directors Fees	174	102	6	
Depreciation	3,435	2,760		
Fees paid to Company Auditors	64	44	9	2
Fees paid to Company Auditors for Other Services		8		
Interest Expense	3,438	1,853	2,485	1,200
(Pro&)/Loss on Sale of Fixed Assets	170	(7)	-	-
Rental and Lease Expenses	809	578	-	-
-Restructuring Costs	89	376	-	-
Write down of investment in subsidiaries			68	135
Write down of investment property	225	430	-	-
Retiring Allowances	64	377	-	-

**NOTE 3**

**Minority Interests**

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
Opening Balance	12,221	13,686
Minority share of operating surplus	1,671	992
Minority dividends paid or payable	(1,004)	(2,457)
<b>Closing Balance</b>	<b>12,888</b>	<b>12,221</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 2000**

**NOTE 4**

**Dividends**

	<b>Group</b>		<b>Parent</b>	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
Interim Distributions: Dividend Paid on Ordinary Shares				
Proposed Distributions: Proposed Dividend on Ordinary Shares	1,746	6,380	1,700	6,000
<b>Total Dividends Payable</b>	<b>1,746</b>	<b>6,380</b>	<b>1,700</b>	<b>6,000</b>

**NOTE 5**

**Equity**

	<b>Group</b>		<b>Parent</b>	
	2000 \$000	1999 \$000	2000 \$000	1999 \$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	<b>34,541</b>	<b>24,041</b>	<b>34,541</b>	<b>24,041</b>
<b>Redeemable Preference Share Capital</b>				
1,200,000 \$1 shares, fully paid, issued at a premium of \$10.25 per share		13,500		13,500
1,466,600 \$1 shares, fully paid, issued without a premium		1,466		1,466
25,000 \$1000 shares, paid to 1 cent, issued without a premium		1		1
Total Redeemable Preference Shares		14,967		14,967
Total Share Capital	<b>34,541</b>	<b>39,008</b>	<b>34,541</b>	39,008
Retained Earnings	<b>(28,289)</b>	(30,444)	<b>(27,202)</b>	(27,126)
Minority Interest (Note 3)	<b>12,888</b>	12,221		
<b>Total Equity</b>	<b>19,140</b>	<b>20,785</b>	<b>7,339</b>	<b>11,882</b>

 em

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

**NOTE 6**

**Fixed Assets**

	<b>Cost</b>	<b>Revaluation</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Group - 2000</b>				
Freehold Land	35,539	(832)		34,707
Buildings, Wharves and Paving	44,677	<b>(589)</b>	(15,983)	28,105
Cranes and Floating Plant	<b>8,105</b>	(72)	<b>(3,348)</b>	4,685
Plant, Vehicles, Furniture and Equipment	22,265	<b>(125)</b>	(16,039)	6,101
<b>Total Fixed Assets</b>	<b>110,586</b>	<b>(1,618)</b>	<b>(35,370)</b>	73,598
<b>Group - 1999</b>				
Freehold Land	35,539	(2,480)		33,059
Buildings, Wharves and Paving	39,325	<b>(1,752)</b>	(14,208)	23,365
Cranes and Floating Plant	6,193	(214)	<b>(3,127)</b>	2,852
Plant, Vehicles, Furniture and Equipment	21,252	<b>(372)</b>	(15,661)	5,219
<b>Total Fixed Assets</b>	<b>102,309</b>	<b>(4,818)</b>	<b>(32,996)</b>	64,495

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 amount shown above represents the negative goodwill on acquisition of the interest in CentrePort Limited (See note 19).

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 2000**

**NOTE 7**

**Taxation**

	Group		Parent	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
<b>Taxation Expense</b>				
The Income Taxation Expense has been calculated as follows:				
Surplus before Taxation	7,947	5,473	1,624	5,869
Income Taxation on the Surplus for the Year at 33%	2,623	1,806	536	1,937
<b>Adjusted for permanent differences</b>				
Imputation Credits	(34)	(86)		
Non-assessable income		(60)	(561)	(1,980)
Non-deductible expenditure	172	186	25	48
Timing differences not recognised	(152)	46		
1998 tax loss recognised		(6)		(5)
Depreciation	(20)	16		
Prior Period Adjustment	(88)	(38)		
<b>Taxation Expense / (Credit)</b>	<b>2,501</b>	<b>1,864</b>		

The Taxation Expense is represented by:

Current Year Taxation	2,188	2,060
Future Taxation Benefit	313	(196)
<b>Taxation Expense / (Credit)</b>	<b>2,501</b>	<b>1,864</b>

**Future Taxation Benefit Comprises**

Opening Balance	1,356	
Opening Balance - CentrePort at 1/1/98		1,324
Current Year Movement	(313)	196
Prior Year Adjustments	23	(164)
<b>Future Taxation Benefit</b>	<b>1,066</b>	<b>1,356</b>

The financial statements accrue subvention payments for the utilisation of losses incurred by the Wellington Regional Council of \$371,605 payable by Pringle House Limited and \$163,515 payable by WRC Holdings Ltd. A subvention payment of \$397,441 was made by Pringle House limited and \$156,678 by WRC Holdings Limited to the Wellington Regional Council in relation to an amount accrued in the 1999 year.

On 22 September 1998 WRC Holdings 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 \$7.144M (1999 \$7.444M), has not been recognised in relation to timing differences arising from the difference between accounting and tax depreciation due to the long term nature of the fixed assets deployed by the Group. Of this amount, \$7.054M relates to CentrePort Limited. In addition future tax benefits of \$0.04M (1999 \$0.08M) attributable to provisions for maintenance have not been recognised.

Handwritten signature and initials, possibly 'M. G. G. M.' and 'em'.

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

NOTE 8

Imputation Credit Account

	Group		Parent	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
Opening Balance	7,027	20	15	15
Opening Balance of CentrePort & Subsidiaries		6,505		
Movements	<b>(967)</b>	502		
<b>Closing Balance</b>	<b>6,060</b>	<b>7,027</b>	<b>15</b>	<b>15</b>

The imputation credits available to the shareholders of the parent company as at 30 June 2000 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 2000 are:

Through direct shareholding in the Parent Company	15	15
Through indirect interests in Subsidiaries	6,045	7,012

*M. J. G. R.*  
em

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

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	
		2000	1999	2000	1999
Pringle House Limited	Subsidiary	(100%)		Property Owning	
Port Investments Limited	Subsidiary	(100%)		Investment Managing	
CentrePort Limited (Previously PWL)	Subsidiary	(76.9%)		Port Operating	
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	
		<b>Group</b>		<b>Parent</b>	
		<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Investments in Subsidiary Companies</b>					
Investments are stated at the lower of cost and net asset backing and comprise:					
Pringle House Limited				5,511	5,579
Port Investments Limited					
<b>Investment in Associate Companies</b>					
Shares in Associate Companies at Cost		461	212		
Share of Post-Acquisition Retained Earnings		161	81		
<b>Other Investments</b>					
Investment Property		7,145	7,370		
Advance to Subsidiary				44,000	40,800
<b>Total Investments</b>		<b>7,767</b>	<b>7,663</b>	<b>49,511</b>	<b>46,379</b>

The Company has an advance facility with its subsidiary Port Investments Limited. The facility matures on 28 October 2018. The interest rate charged on the facility as at 30 June 2000 was 7.21% p.a.

Investment properties representing the Regional Council Centre at 142-146 Wakefield Street, Wellington were valued as at 30 June 2000 by Richard Ellis (Wellington) Limited.



**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

## NOTE 10

## Receivables and Prepayments

	Group		Parent	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
Trade Receivables	2,829	2,860		
Prepayments and Other Receivables	388	446		
Shareholder Subvention Payment	12	30		
Associate Company Advance	6	20		
Interest Receivable			409	247
Dividends Receivable	-		1,700	6,000
Current Account - PHL	-		1,800	1,800
Current Account - WRC	3,706	11,018	4	4,497
<b>Total Receivables and Prepayments</b>	<b>6,941</b>	<b>14,374</b>	<b>3,913</b>	<b>12,544</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 2001. The interest rate charged on the facility as at 30 June 2000 was 7.21% p.a.

CentrePort has a bank loan facility drawn to **\$18,850,000** which is unsecured and matures on 14 April 2002. The interest rate charged on the facility as at 30 June 2000 ranged from 6.5% to 7.4% p.a.

## NOTE 12

## Operating Leases

	Group		Parent	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
Lease commitments for non-cancellable operating leases as at balance date were:				
Less than One Year	372	348		
One to Two Years	148	285		
Two to Five Years		108		
	<b>520</b>	<b>741</b>		

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

**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 \$156,000 (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	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
Less than One Year	2,000	5,000		
One to Two Years	11,000	2,000		
Two to Three Years		9,000		

**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	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
Cash and Deposits	163		38	8
Receivables	6,941	14,374	3,913	12,544

No collateral is held on the above amounts. All amounts owed to the Parent are from related parties.

**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 \$25,000,000. Of these, \$18,850,000 (1999: 13,450,000) has been drawn down by CentrePort.

*[Handwritten signature]*  
*[Handwritten initials]*

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

**NOTE 14**

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

	Group		Parent	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
Reported Surplus After Taxation and before including Share of Retained Surplus of Associate Companies	5,446	3,609	1,624	5,869
<b>Add (Less) Non Cash Items:</b>				
Depreciation	3,435	2,760	-	
(Profit)/Loss on Sale of Fixed Assets	170	(5)	-	
Gain on Sale of Investments		(3)		
(Increase)/Decrease in value of investments/properties	225	430	68	135
Increase in Future Taxation Benefit	290	(125)		
<b>Add (Less) Movements in Working Capital:</b>				
(Increase)/Decrease in Accounts Receivable	121	130	4,138	(6,253)
Increase/(Decrease) in Accounts Payable	(4,897)	7,535	(4,126)	6,249
Increase/(Decrease) in Current Account - Wellington Regional Council	7,312	(6,735)	4,493	
Increase/(Decrease) in Current Account - Pringle House Limited				
Decrease in Inventory	6	195		
Decrease in Taxation Dispute Deposit		1,857		
(Increase)/Decrease in Taxation Refund - Other	(406)	258	-	
<b>Add (Less) Items Classified as Investing and Financing Activities:</b>				
Dividends Paid/Payable	334		4,300	(6,000)
Loan to Associate Company	30	20		
Increase in Current Accounts relating to Financing Activities	(3,830)	163	(4,660)	
Increase in Accounts Payable related to Fixed Assets	(222)	(168)		
<b>Net Cash Inflow From Operating Activities</b>	<b>8,014</b>	<b>9,921</b>	<b>5,837</b>	

  
EYN

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

## 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:

	Parent	
	2000	1999
	\$000	\$000
<b>Wellington Regional Council</b>		
Income received from interest on inter company current accounts	251	241
Proposed Dividend	(1,700)	(6,000)
Payment for Management Fees	(23)	(12)
<b>WRC Holdings Subsidiaries</b>		
Dividend Income	1,700	6,000
Interest Income on PIL Advance	2,485	1,200

**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 \$ 185 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.

## NOTE 16

**Contingent Liabilities**

The following contingent liabilities existed at 30 June 2000:

**Parent Company**


The Parent Company has uncalled capital in Port Investments Limited of \$10,000,100. (1999: \$ 1 0,000, 100)

**Subsidiary Companies - CentrePort Limited**

The Subsidiary has a contingent asset of \$87,000 (1999: \$87,000) in respect to a claim for failure to pay for services provided. The defending party has lodged a counter claim of \$308,000 (1999: \$308,000) against CentrePort for damage to vessels. CentrePort is defending the counter claim. Professional advice indicates that it is unlikely that any significant liability will eventuate.

Customers of CentrePort Limited have commenced litigation claiming the Company's charges are not fair and reasonable and seeking reimbursement of \$1,172,000 of charges paid (1999: Nil). CentrePort has lodged counter claims of \$182,000 (1999: Nil) against the customers for breach of contract in respect of fees that have been withheld. The fees withheld are included within trade receivables (Note 10) at balance date. Professional advice indicates that it is unlikely that any significant liability will arise.

CentrePort Limited has guaranteed rental payments of \$1,833,000 (1999: \$2,000,000).



**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2000**

**NOTE 17**

**Capital Commitments**

The following capital commitments existed at 30 June 2000:

**Parent Company**

The Parent Company has no capital commitments. ( 1999: Nil )

**Subsidiary Companies - CentrePort Limited**

At balance date there were commitments in respect of contracts for capital expenditure of \$77,000 (1999: \$887,000).

**NOTE 18**

**Segment Information**

WRC Holdings Limited operates in one industry, the operation of an investment company. All operations are carried out within New Zealand.

**NOTE 19**

**Summary of the effects of the acquisition of subsidiary company**

	2000	1999
	\$000	\$000
Fixed Assets	67,795	64,595
Future Taxation Benefit	1,231	1,231
Patent	1	1
Investments	358	358
Current Assets	6,243	6,243
Current Liabilities	<b>(5,092)</b>	<b>(5,092)</b>
Long term Debt	(12,850)	(12,850)
Minority Interest	(13,686)	(13,686)
Cash Paid	44,000	40,800

A 76.9% shareholding of CentrePort Limited was purchased on 28 October 1998 and the results of its operations from 1 November 1998 are included in the Consolidated Statement of Financial Performance. The purchase price was \$40,800,000 and was 100% loan funded.

An adjustment of \$3,200,000 to the price was made on 14 February 2000, which was also 100% loan funded.

Handwritten signature and initials, possibly 'M. J. ...' and 'em'.



# Audit New Zealand

## 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 2000

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 2000. 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 Council to prepare financial statements which fairly reflect the financial position of Wellington Regional Council Holdings Limited and group as at 30 June 2000 and the results of its operations and cash flows and service performance achievements for the year ended 30 June 2000.

#### **Auditor's responsibilities**

Section 25(1)(c) of the Public Finance Act 1977 requires the Audit Office to audit the financial statements presented by the Council. 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 Council in the preparation of the financial statements; and
- ▲ whether the accounting policies are appropriate to Wellington Regional Council 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 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 2000
- 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 28 September 2000 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