WRC HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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FOR THE YEAR ENDED 30 JUNE 2006

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WRC HOLDINGS LTD
DIRECTORY

Directors
I M Buchanan
Hon M K Shields
T J McDavitt
F R Long
A Blackburn
P Blades

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 2006

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 2006.

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.

Own and operate the Greater Wellington's headquarters at 142-146 Wakefield Street, Wellington (known as the "Regional Council Centre") on a cost effective basis.

Own Greater Wellington's interest in CentrePort Ltd , to maximise the commercial value of CentrePort Ltd to the shareholders and to protect the shareholders' investment, while maintaining the CentrePort's strategic value to the economy of the region.

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.

Adopt policies that prudently manage risk and protect the investment of shareholders.

The environmental objectives of the group are to:

To operate in an environmentally responsible and sustainable manner.

Minimise the impact of any of the group's activities on the environment.

Raise awareness of environmental issues within the group.

Encourage CentrePort and Pringle House to be more energy efficient and make greater use of renewable energy.

The social objectives of the group are to:

Be a leading organisation and a superior employer.

Provide a safe and healthy workplace.

Participate in development, cultural and community activities within the regions in which the group operates.

Help sustain the economy of the region.

The nature and scope of activities undertaken by the group are consistent with those set in the 2005/06 Statement of Intent.

WRC HOLDINGS LTD
STATUTORY REPORT OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2006

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

	Actual 2006 $000	Target 2006 $000	Actual 2005 $000
Net profit before tax	**6,077**	6,963	4,104
Net profit after tax	**15,234**	4,437	17,423
Return on total assets	**5.1%**	6.6%	4.6%
Return on shareholder equity (**excludes any** increase in the value of investment property)	**5.2%**	4.1%	2.6%
Return on shareholder equity (**includes any** increase in the value of investment property)	**13.7%**	N/A	17.6%
Dividends	**395**	406	651

Net profit before tax
The Group posted a net profit before tax, before any increases in the value of investment property and land, of $6.1 million (vs. Budget $7.0 million) for the year. The major variation to our budgets is a charge of $1.3 million (2005 $3.1 million) to cover impaired assets. CentrePort, commissioned two new cranes recently, and decided to write-down the value of "D" crane. The write-down of the crane amounts to most of the impairment charge.

Net profit after tax (before deduction of minority interest)
The Net profit after tax measure includes a $10.8 million (2005 $14.4 million) increase in the net current value of the group's investment properties and land.

Return on total assets
This target is calculated as earnings before interest and tax (EBIT) and expressed as a percentage of average total assets. The result is less than expected because some CentrePort assets were written down and charged against profit. At the same time the asset base has increased following the revaluation, thereby, increasing the base used to calculate the ratio.

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). The measure is shown both before and after any increase in the 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 result of CentrePort's improved performance, dividend payments have been kept, at previous levels.

Directors
Directors holding office during the year were:

Parent and 100% Owned Subsidiaries
I M Buchanan
Hon M K Shields
T J McDavitt
F R Long
A Blackburn
P Blades

Subsidiary – CentrePort Ltd
N J Gould
J G Jefferies
E M M Johnson
W A Larsen
R Janes
M Petersen
D J Benham (appointed 29 September 2005)

Remuneration of Directors of the Parent Company
Directors' remuneration, some of which includes GST, received during the year was as follows:

	$
I M Buchanan	Nil
Hon M K Shields	Nil
T J McDavitt	Nil
F R Long	Nil
A Blackburn	4,500
P Blades	4,000

WRC HOLDINGS LTD
STATUTORY REPORT OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2006

Entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2006:
I M Buchanan
Chairperson of Greater Wellington Regional Council

Hon M K Shields
Immediate past Chairperson and current Councillor of Greater Wellington Regional Council

T J McDavitt
Deputy Chairperson of Greater Wellington Regional Council

F R Long
Councillor of Greater Wellington Regional Council

A Blackburn
None

P Blades
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 Rudie Tomlinson of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors

Director	**Director**
26 September 2006	26 September 2006

WRC HOLDINGS LTD
NON-FINANCIAL PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2006

WRC Holding's Group's non-financial performance criteria contained in the statement of intent for the 2005/06 year, and results are summarised:

Environmental Performance Indicators:

Planned Target

CentrePort Ltd to comply with AS/NZS 14000: Environmental Management Standards.

Actual Performance
CentrePort has established an effective environmental management system that incorporates a separate formal environmental management and emergency management plan in accordance with AS/NZS ISO 14001:2004. CentrePort holds regular Environmental Consultative Committee meetings with representatives of the wider community interest groups. The Health, Safety and Environment Board Committee reviews CPL's environmental performance regularly.

Planned Target
CentrePort Ltd to 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
Achieved. CPL is working with the respective local bodies to ensure that the District and Regional Plans include the principles of port noise management.

Planned Target
The group to comply with all conditions under resource consents and permits held, and full adherence to the requirements of environmental law generally.

Actual Performance
Achieved. Resource consent and permit conditions met and the requirements of environmental law complied with generally.

Planned Target
CentrePort to complete a noise management plan to support proposed changes to the noise provisions within the district and regional coastal plan.

Actual Performance
Achieved. CentrePort's Port Noise Management Plan has been submitted to the respective planning authorities (WCC and GWRC) to ensure that these are included in the public consultation process.

Social Performance Indicators:

Planned Target
CentrePort to maintain tertiary level of compliance with the ACC Workplace Safety Management Practices Programme and comply with the AS/NZS 4801: Occupational Health and Safety Management Systems.

Actual Performance
Achieved. CentrePort has conducted bi-annual ACC audits, with the next scheduled in 2007. CentrePort's currently holds a tertiary level of compliance.

Planned Target
CentrePort to maintain compliance with the International Ship & Port Security (ISPS) Code which promotes security against terrorism within the port environment.

Actual Performance
Achieved. CentrePort's systems audited in 2006 and confirmed that comply with the ISPS code.

Planned Target
CentrePort to undertake risk assessments and implement any mitigating procedures relating to the Port & Harbour Safety code which promotes safety and excellence in marine operations.

Actual Performance
Achieved. The Port and Harbour Safety Code Navigational Risk Assessment has been completed and 31 key risks have been identified. Of these, CentrePort is responsible for managing 17. The assessment recommended increased tug power capacity, more frequent harbour depth soundings, implementing a harbour weather system and determining berth loads. CentrePort is currently working through an action plan, which prioritises mitigating strategies.

WRC HOLDINGS LTD
NON-FINANCIAL PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2006

Planned Target
To undertake a level of sponsorship appropriate to CentrePort.

Actual Performance

Achieved. CentrePort engages in a wide range of community sponsorships ranging from business groups to specific community projects and endeavours. Spending in 2005/06 amounted to $90,000.

Planned Target
To meet regularly with representative community groups of CentrePort.

Actual Performance
Achieved. CentrePort participates in a number of community working groups such as the Environmental Consultative Committee, Transport Advisory Bodies and Chambers of Commerce.

Planned Target
To hold more port tours for community groups.

Actual Performance
The International Ship and Port Security (ISPS) Code makes the provision of port tours difficult. Notwithstanding, a small number of tours for stakeholders and community groups have been conducted over the last 12 months.

General Performance Indicators:

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

Actual Performance
During consultation, the shareholders reviewed the 2007 Statement of Intent and the environmental and social performance targets have been revised. As a result, two new environmental targets (2007 SOI items 5.3d and 5.3e) added, two environmental targets (2006 SOI items 5.3b and 5.3c) deleted, because they have already been achieved, and one social target (2006 SOI item 5.4f) deleted.

WRC HOLDINGS LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Revenue		49,060	47,600	6,247	4,401
Expenses		(42,983)	(43,496)	(3,575)	(3,254)
OPERATING SURPLUS BEFORE SUBVENTION AND TAXATION	2	6,077	4,104	2,672	1,147
Subvention payment		(519)	(477)	-	-
OPERATING SURPLUS BEFORE TAXATION		5,558	3,627	2,672	1,147
Taxation expense	9	(1,149)	(603)	-	-
NET SURPLUS BEFORE CHANGE IN VALUE OF INVESTMENT PROPERTIES		4,409	3,024	2,672	1,147
Increase in net current value of investment properties		10,825	14,399	-	-
NET SURPLUS AFTER TAXATION		15,234	17,423	2,672	1,147
Share of surplus applicable to minority interest	4	(3,539)	(4,395)	-	-
NET SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		11,695	13,028	2,672	1,147

WRC HOLDINGS LTD
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Net Surplus For The Year:					
Parent interest		11,695	13,028	2,672	1,147
Minority interest	4	3,539	4,395	-	-
		15,234	17,423	2,672	1,147
Increase in Revaluation Reserve					
Parent interest		-	(850)	-	-
Minority interest	4	-	(255)	-	-
		-	(1,105)	-	-
TOTAL RECOGNISED REVENUE AND EXPENSES		15,234	16,318	2,672	1,147
Distributions To Owners:					
Parent interest		(395)	(651)	(395)	(651)
Minority interest	4	(831)	(831)	-	-
		(1,226)	(1,482)	(395)	(651)
MOVEMENTS IN EQUITY FOR THE YEAR		14,008	14,836	2,277	496
Opening Equity:					
Parent interest		79,872	68,345	9,072	8,576
Minority interest	4	34,198	30,889	-	-
		114,070	99,234	9,072	8,576
Closing Equity:					
Parent interest		91,172	79,872	11,349	9,072
Minority interest	4	36,906	34,198	-	-
CLOSING EQUITY	3	128,078	114,070	11,349	9,072

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

WRC HOLDINGS LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2006

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
EQUITY	3	**128,078**	114,070	11,349	9,072
Represented by:					
ASSETS					
Current Assets					
Cash and deposits		**2**	574	1	1
Receivables and prepayments	5	**4,223**	4,454	963	1,172
Tax refund		**1,271**	477	-	-
Current account - Greater Wellington Regional Council	6	**1,812**	2,086	52	58
Current account - Pringle House Ltd	6	**-**	-	1,800	1,800
Inventories		**416**	324	-	-
Total Current Assets		**7,724**	7,915	2,816	3,031
Non Current Assets					
Investments	7	**110,936**	69,699	53,400	51,124
Fixed assets	8	**130,431**	128,065	-	-
Future taxation benefit	9	**677**	2,318	-	-
Total Non Current Assets		**242,044**	200,082	53,400	51,124
TOTAL ASSETS		**249,768**	207,997	**56,216**	54,155
Less:					
LIABILITIES					
Current Liabilities					
Bank overdraft		**51**	-	-	-
Payables and accruals		**10,174**	6,288	472	432
Provision for dividend	11	**810**	1,066	395	651
Provision for subvention		**519**	472	-	-
Provision for employee entitlements		**2,228**	2,121	-	-
Total Current Liabilities		**13,782**	9,947	867	1,083
Non Current Liabilities					
External debt	12	**107,908**	83,980	44,000	44,000
TOTAL Liabilities		**121,690**	93,927	**44,867**	45,083
NET ASSETS		**128,078**	114,070	**11,349**	9,072

For, and on behalf of, the Board of Directors

Director
26 September 2006

Director
26 September 2006

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 2006

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		**46,840**	46,877	**-**	-
Dividends received		**373**	-	**755**	425
Income taxation		**-**	1,711	**-**	-
Interest received		**301**	192	**3,417**	3,075
Cash was disbursed to:					
Payments to suppliers and employees		**(29,204)**	(31,935)	**-**	-
Restructuring costs		**-**	(2,000)	**-**	-
Subvention payments to Greater Wellington Regional Council		**-**	(1,960)	**-**	-
Income taxation		**(1,200)**	-	**-**	-
Interest paid		**(4,814)**	(4,583)	**(3,417)**	(3,075)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	**12,296**	8,302	**755**	425
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of fixed assets		**775**	384	**-**	-
Proceeds from sale of investment in associate company		**-**	-	**-**	-
Repayment of advance from associate company		**200**	1,150	**-**	-
Cash was applied to:					
Purchase of fixed assets		**(27,949)**	(5,875)	**-**	-
Development of Investment Properties		**(8,744)**	(18,015)		
Acquisition of shares of associate company		**-**	-	**-**	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(35,718)**	(22,356)	**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from borrowings		**23,928**	15,880	**-**	-
Settlement of Subsidiary Advances		**-**	(161)		
Movement in current account - Greater Wellington Regional Council		**352**	477	**-**	-
Cash was applied to:					
Settlement of loans		**-**	-	**-**	-
Movement in current account - Greater Wellington Regional Council		**-**	-	**(104)**	(102)
Dividends paid		**(1,481)**	(1,029)	**(651)**	(323)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**22,799**	15,167	**(755)**	(425)
Net increase / (decrease) in cash held		**(623)**	1,113	**-**	-
Opening cash / (overdraft) brought forward		**574**	(539)	**1**	1
CLOSING CASH / (OVERDRAFT)		**(49)**	574	**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 2006

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.

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 Investment Properties
Investment properties have been valued at net current value. Depreciation is not charged on investment properties. Two classes of investment properties exist:

Developed Investment Properties
Land Available for Development

Revaluation gains on such properties have been recognised in the statement of financial performance. A separate revaluation reserve is maintained and this forms part of equity.

1.6 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.

1.7 Depreciation
Depreciation on fixed assets, other than land or investment properties 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

1.8 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 not any depreciation on investment properties.

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

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

1.10 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.

1.11 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.

The subsequent realisation of any income tax benefit from income tax losses is subject to the requirements of the income legislation being met.

1.12 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.

1.13 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.

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

1.15 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.

1.16 Changes in Accounting Policies
There have not been any changes in accounting policy in the current accounting period.

NOTE 2

Operating Surplus before Subvention and Taxation

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Operating surplus before subvention and taxation		**6,077**	4,104	**2,672**	1,147
After crediting:					
Revenue					
Rental revenue		**1,390**	1,367	-	-
Equity accounted earnings of associate companies		**411**	417	-	-
Dividends from subsidiaries		-	-	**510**	755
Gain on sale of fixed assets		-	44	-	-
Interest revenue		**464**	428	**3,461**	3,150
Write up of investment in subsidiaries		-	-	**2,276**	496
Gain on Sale of Medical Waste		**231**	-	-	-
After charging:					
Expenses					
Bad debts written off		**(86)**	15	-	-
Change in provision for doubtful debts		**249**	34	-	-
Depreciation	8	**5,043**	4,767	-	-
Directors fees		**346**	270	**9**	8
Fees paid to company auditors for:					
- Audit services		**82**	63	**7**	7
- Other assurance services		**117**	61	**13**	12
- Tax services		**77**	-	-	-
Fixed assets written off		**1,308**	524	-	-
Loss on sale of fixed assets		-	44	-	-
Interest expense		**7,377**	4,885	**3,453**	3,143
Interest capitalised		**(1,385)**	(453)	-	-
Rental and lease expenses		**698**	659	-	-

NOTE 3

Equity

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $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		**44,830**	39,731	-	-
Retained earnings - parent share		**11,801**	5,600	**(23,192)**	(25,469)
Minority interests	4	**36,906**	34,198	-	-
Total Equity		**128,078**	114,070	**11,349**	9,072

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 4

Minority Interests

	Group 2006 $000	Group 2005 $000
Opening minority interests	**34,198**	30,889
Minority share of operating surplus	**3,539**	4,395
Minority share of revaluation reserve	**-**	(255)
Minority share of dividends paid or payable	**(831)**	(831)
Total Minority Interests	**36,906**	34,198

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

NOTE 5

Receivables and Prepayments

	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Trade receivables	**3,960**	4,225	**-**	-
Prepayments	**232**	198	**-**	-
Shareholder subvention receivable	**31**	31	**-**	-
Interest receivable	**-**	-	**453**	417
Dividends receivable	**-**	-	**510**	755
Total Receivables and Prepayments	**4,223**	4,454	**963**	1,172

NOTE 6

Current Accounts

	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Current account - Pringle House Ltd	**-**	-	**1,800**	1,800
Current account - Greater Wellington Regional Council	**1,812**	2,086	**52**	58
Total Current Accounts	**1,812**	2,086	**1,852**	1,858

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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
Transport Systems 2000 Ltd	Associate	(38.5%)	Container Depot

	Group		Parent	
	2006	2005	2006	2005
	$000	$000	$000	$000
Investments in Subsidiary Companies				
at the lower of cost and net asset backing				
Pringle House Ltd	-	-	9,400	7,124
Port Investments Ltd	-	-	-	-
Total investments in subsidiary companies	-	-	9,400	7,124
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	1,300	1,135	-	-
Equity accounted earnings of associate companies	411	417	-	-
Capital Reduction in TSL	(200)	-	-	-
Sale of Medical Waste	(544)	-	-	-
Dividends from associate companies	(373)	(252)	-	-
Total investments in associated companies	594	1,300	-	-
Investment Properties				
at net current value				
The Regional Council Centre	11,820	8,646		
CentrePort's investment properties:				
Developed Investment Properties	63,898	27,322		
Land available for development	34,624	32,431		
Investment properties	110,342	68,399	-	-
Other Investments				
at the lower of cost and net realisable value				
Advance to subsidiary	-	-	44,000	44,000
Total Investments	110,936	69,699	53,400	51,124

The group's investment properties comprise:

(a) The Regional Council Centre at 142-146 Wakefield Street, Wellington. CB Richard Ellis Ltd valued the building as at 30 June 2006.

(b) CentrePort's developed and undeveloped investment properties. On 26 May 2005, these were valued by P. Butchers and W. Bunt, independent registered valuers of the firm CB Richard Ellis. 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 2006 was 8.0% p.a. (30 June 2005: 7.53% p.a.).

On 28 November 2005, CentrePort sold its 50% holding in the former Associate Company Medical Waste (Wellington) Limited.

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 7 continued

Investments

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.

Reclassification of Land

During the year ended 30 June 2006, CentrePort transferred leasehold land, of $7.616 million, shown previously as Operational Port Land, to Developed Investment Properties for holdings at Aotea Quay, Waterloo Quay and Miramar. The Revaluation Reserve attached to this land was $6.188 million. There was also $2.416 million transferred from Land Available for Development to Operational Port Land. The Revaluation Reserve attached to this land was $2.082 million. The land has previously been recorded in the incorrect class.

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 - 2006						
Freehold land	**56,729**	**-**	**-**	**-**	**56,729**	**-**
Buildings, wharves and paving	**-**	**73,353**	**(532)**	**(28,452)**	**44,369**	**2,973**
Cranes and floating plant	**-**	**31,943**	**(72)**	**(5,521)**	**26,350**	**923**
Plant, vehicles, furniture and equipment	**-**	**14,512**	**(125)**	**(11,404)**	**2,983**	**1,147**
Total Fixed Assets at 30 June 2006	**56,729**	**119,808**	**(729)**	**(45,377)**	**130,431**	**5,043**
Group - 2005						
Freehold land	61,944	-	-	-	61,944	-
Buildings, wharves and paving	-	79,634	(532)	(25,864)	53,238	2,618
Cranes and floating plant	-	13,409	(72)	(4,050)	9,287	894
Plant, vehicles, furniture and equipment	-	15,666	(125)	(11,945)	3,596	1,255
Total Fixed Assets at 30 June 2005	61,944	108,709	(729)	(41,859)	128,065	4,767

Impairment:

The directors have reviewed assets and tested for impairment. As a result we have recognised in the Statement of Financial Performance an impairment loss of $1.32 million (2005: $3.049 million). The impairment loss falls across two categories – Cranes and Floating equipment $1.01 million, and Buildings Wharves and Paving $0.31 million.

Borrowing Costs Capitalised

During the year borrowing costs of $1.385 million (2005: $0.453 million) were capitalised

On 30 June 2004 operational port freehold land was independently valued by Mr. AG Stewart and Mr. AP Washington, registered valuers with DTZ New Zealand Limited. The valuations were based on the assets highest and best use. All other Property, Plant and Equipment are carried 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.

NOTE 9

Taxation Expense Calculation

	Group		Parent	
	2006	2005	2006	2005
	$000	$000	$000	$000
Operating surplus before taxation	**5,558**	3,627	**2,672**	1,147
Income taxation on the surplus for the year at 33%	**1,835**	1,197	**882**	379
Adjusted for permanent differences				
Imputation credits	**(592)**	(444)	-	-
Non-assessable income	**147**	364	**(920)**	(446)
Timing differences not recognised	**(205)**	(515)	-	-
Tax loss not recognised	**38**	34	**38**	67
Prior period adjustment	**(74)**	(33)	-	-
Taxation Expense	**1,149**	603	-	-
The Taxation Expense is represented by:				
Current year taxation	**469**	1,716	-	-
Future taxation benefit	**680**	(1,113)	-	-
Taxation Expense	**1,149**	603	-	-
Future Taxation Benefit Comprises				
Opening balance	**2,318**	1,117	-	-
Current year movement	**(680)**	1,113	-	-
Prior year adjustment	**(961)**	88	-	-
Future Taxation Benefit	**677**	2,318	-	-

The financial statements accrue subvention payments for the utilisation of losses incurred by Greater Wellington Regional Council of $519,257 payable by Pringle House Limited. In addition, a subvention payment of $471,645 was made by Pringle House Limited relating to the 2005 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. At 30 June 2006 CentrePort Ltd had advanced $0.956 million on account of the subvention payment to Port Investments Ltd.

A deferred tax asset of $0.56 million (2005: $6.52 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, $0.4 million (2005: $6.33) million relates to CentrePort Ltd.

WRC Holdings Limited has unrecognised tax losses of $0.56 million (2005: $0.48 million) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses is $0.18 million (2005: $0.16million). WRC Holdings Limited's ability to carry forward tax losses is contingent upon the company continuing to meet the requirements of the Income Tax Act 2004.

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 10

Imputation Credit Account

	Group		Parent	
	2006	**2005**	**2006**	**2005**
	$000	**$000**	**$000**	**$000**
Opening balance	**8,470**	8,251	**674**	356
Prior year adjustment		-	**-**	109
Movements	**547**	219	**(153)**	209
Total Imputation Credits	**9,017**	8,470	**521**	674

The imputation credits available to the shareholders of the parent company as at 30 June 2006 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 2006 are:

	2006	**2005**
	$000	**$000**
Through direct shareholding in the parent company	521	674
Through indirect interests in subsidiaries	8,496	7,796

NOTE 11

Dividends

	Group		Parent	
	2006	**2005**	**2006**	**2005**
	$000	**$000**	**$000**	**$000**
Interim distributions: dividend paid on ordinary shares	**1,066**	614	**-**	-
Proposed distributions: proposed dividend on ordinary shares	**810**	1,066	**395**	651
Total Dividends Declared	**1,876**	1,680	**395**	651

NOTE 12

External Debt

	Group		Parent	
	2006	**2005**	**2006**	**2005**
	$000	**$000**	**$000**	**$000**
Bank loans	**107,908**	83,980	**44,000**	44,000
Total External Debt	**107,908**	83,980	**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 2006 was 8.00% p.a. (30 June 2005: 7.53% p.a.).

CentrePort Ltd has an unsecured bank loan facility of $85 million, with a renewal date in 2007. The interest rate charged on the facility as at 30 June 2006 ranged from 5.68% to 7.25% p.a. (2005: 5.8% to 7.2%).

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 $852,396 (carrying value $Nil); 2005 $856,408 (carrying value $Nil). The estimated fair values of all other financial instruments of the group are the carrying amounts of the financial instruments.

forward interest rate swap agreements show a surplus of $156,628
interest rate caps show a surplus of $35,803
interest rate collars (options) show a surplus of $9,656
foreign exchange contracts show a profit of $650,309

The estimated fair values of all other financial instruments of the Group are the carrying amounts of the financial instruments.

It is impracticable to determine the fair value of investments in Associates and subsidiaries.

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 swap agreements and interest rate collars (options) to manage interest rate exposures for future periods. At balance date the Group had entered into the following swap agreements and interest rate collars (options) that had interest rates ranging from 5.68% to 7.2% (2005: 5.68% to 7.20% p.a.) and maturities of:

Interest Rate Swap Agreements	**Group and Parent**	
	2006	**2005**
	$000	**$000**
Less Than One Year	**3,000**	2,500
One to Two Years	**2,500**	8,000
Two to Three Years	**2,500**	-
Seven Years (commencing February 2008)	**20,000**	-

Interest Rate Collars (Options)

Amount	**Commencing**	**Maturity**	**Floor**	**Cap**
$10 million	23/01/2007	22/01/2009	6.23%	7.20%

Interest Rate Cap Agreement (options)

Amount	**Commencing**	**Maturity**	**Cap**
$5 million	25/01/2005	25/07/2006	7.10%
$5 million	25/01/2005	25/01/2007	7.10%
$5 million	25/01/2005	25/07/2007	7.10%

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**	
	2006	**2005**	**2006**	**2005**
	$000	**$000**	**$000**	**$000**
Cash and deposits	-	-	-	-
Receivables and prepayments	**4,223**	4,454	**963**	1,172
Term investments	-	-	-	-

The Group is not exposed to any concentrations of credit risk.

Concentrations of Credit Risk

The Group enters into forward exchange contracts to hedge the Group's foreign currency risk on major asset purchases. As at 30 June 2006 the Group had forward foreign currency agreements outstanding with Westpac Institutional Bank for Euro 3 million.

NOTE 13 continued

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 the Group has a bank overdraft facility of $1 million (2005: $1 million), New Zealand dollar Commercial Bill facilities of $85 million (2005: $78 million) and other borrowings of $Nil (2005: $Nil). Of these $63.9 million (2005: $39.98 million) had been drawn down by the Group at balance date.

NOTE 14

Non-cancellable Operating Lease Commitments

	Group		Parent	
	2006	**2005**	**2006**	**2005**
	$000	**$000**	**$000**	**$000**
Less than one year	**613**	480	-	-
One to two years	**519**	442	-	-
Two to five years	**935**	926	-	-
	2,067	1,848	-	-

NOTE 15

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

	Group		Parent	
	2006	**2005**	**2006**	**2005**
	$000	**$000**	**$000**	**$000**
Net surplus after taxation	**15,234**	17,423	**2,672**	1,147
Add /(Less) Non Cash Items:				
Depreciation	**5,043**	4,767	-	-
Impairment of cranes	**1,320**	3,048	-	-
(Gain)/loss on sale of fixed assets	-	44	-	-
(Gain) on sale of Medical Waste	**(133)**	-	-	-
Fixed assets written off	**1,308**	524	-	-
Equity accounted earnings from associate companies	**(136)**	(165)	-	-
(Increase)/decrease in value of investment properties	**(11,723)**	(14,399)	-	-
(Increase)/decrease in value of investments	-	101	**(2,276)**	(496)
(Increase)/decrease in future taxation benefit	**925**	(1,201)	-	-
Increase/(decrease) in deferred taxation liability	**750**	-	-	-
Bad debt expense	**(85)**	-	-	-
Change in provision for doubtful debts	**249**	-	-	-
Add /(Less) Movements in Working Capital:				
(Increase)/decrease in accounts receivable	**485**	(1,347)	**209**	(398)
(Increase)/decrease in inventory	**(92)**	(46)	-	-
(Increase)/decrease in tax refund due	**(829)**	144	-	-
(Increase)/decrease in current account - Greater Wellington Regional Council	**274**	40	**6**	1
Increase/(decrease) in accounts payable	**3,261**	776	**(216)**	397
Employee entitlements	**107**	-	-	-
Add /(Less) Items Classified as Investing and Financing Activities:				
Dividends paid/payable	**256**	(14)	**256**	(328)
Increase/(decrease) in current accounts relating to financing activities	**(352)**	(477)	**104**	102
Movement in accounts payable related to fixed assets	**(3,566)**	(916)	-	-
Net Cash Inflows From Operating Activities	**12,296**	8,302	**755**	425

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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		Parent	
	2006	2005	2006	2005
	$000	$000	$000	$000
Greater Wellington Regional Council				
Interest income on inter company current accounts	**162**	142	**7**	7
Rental income received	**1,184**	1,178	**-**	-
Proposed dividend	**(395)**	(651)	**(395)**	(651)
Payment for management fees	**(266)**	(264)	**(82)**	(78)
WRC Holdings Subsidiaries				
Dividend income from Port Investments Ltd and Pringle House Ltd	**-**	-	**510**	755
Interest income on Port Investments Ltd advance	**-**	-	**3,453**	3,143
CentrePac Ltd				
Income received from rent and services performed.	**298**	220	**-**	-
Medical Waste (Wellington) Ltd				
Income received from rent and services performed.	**13**	31	**-**	-
Waste disposal expenditure.	**(173)**	(158)	**-**	-
Transport Systems 2000 Ltd				
Income received from rent and services performed	**629**	530	**-**	-

During the year CentrePort Ltd subsidiaries charged their parent $14,032,000 (2005: $14,094,000) for lease rentals.

Subvention payments by CentrePort Ltd advanced to Greater Wellington Regional Council and its subsidiaries totalled $956,000 (2005: $2,485,000).

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

Directors Fees:
The Hon M K Shields, Messrs I M Buchanan, T J McDavitt and F R Long, received a salary from Greater Wellington Regional Council in accordance with the Local Government Elected Members Determination of 2005 and any out-of-pocket expenses incurred as set in Greater Wellington Regional Council's policy on elected members' allowances and expenses.

Other Directors' remuneration, some of which includes GST, paid during the year

	$
A Blackburn	4,500
P Blades	4,000

NOTE 17

Contingent Liabilities

The following contingent liabilities existed at 30 June 2006:

Parent Company
The parent company has uncalled capital in Port Investments Ltd of $10,000,100 (2005: $10,000,100).

Subsidiary Companies - CentrePort Ltd
As at 30 June 2006, CentrePort did not have any contingent liabilities (2005: $Nil).

NOTE 18

Capital Commitments

The following capital commitments existed at 30 June 2006:

Parent Company
The parent company has no capital commitments (2005: Nil).

Subsidiary Companies - CentrePort Ltd
At balance date there were commitments in respect of contracts for capital expenditure of $4,180,000 (2005: $27,152,000).

Subsidiary Companies - Pringle House Ltd
Estimated contractual commitments at balance date but not provided for, was $7,000 (2005:$53,000).

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 2006 $000	Property 2006 $000	Other Operations 2006 $000	Eliminations 2006 $000	Group 2006 $000
Total revenue (including increase in the net current value of investment properties)	43,275	21,647	3,971	(9,008)	**59,885**
Net surplus after tax	4,295	13,822	2,672	(5,555)	**15,234**
Total assets at 30 June 2006	176,276	120,304	56,216	(103,028)	**249,768**

WRC HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 21

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

	Actual 2006 $000	Target 2006 $000	Actual 2005 $000
Net profit before tax	6,077	6,963	**4,104**
Net profit after tax	15,234	4,437	**17,423**
Return on total assets	5.1%	6.6%	**4.6%**
Return on shareholder equity (**excludes any** increase in the value of investment property)	5.2%	4.1%	**2.6%**
Return on shareholder equity (**includes any** increase in the value of investment property)	13.7%	N/A	**17.6%**
Dividends	395	406	**651**

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

WRC HOLDINGS LTD
STATEMENT OF COMPLIANCE AND RESPONSIBILITY
FOR THE YEAR ENDED 30 JUNE 2006

Compliance
The Directors and management of WRC Holdings Limited confirm that all the statutory requirements of the Local Government Act 2002 in relation to the financial report have been complied with.

Responsibility

The Directors and management of WRC Holdings Limited accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

The Directors and management of WRC Holdings Limited accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Directors and management of WRC Holdings Limited, the annual Financial Statements for the year ended 30 June 2006 fairly reflect the financial position and operations of WRC Holdings Limited.

Director ____________________

Director ____________________

Chief Financial Officer ____________________

Dated: 26 September 2006

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

AUDIT REPORT

TO THE READERS OF WRC HOLDINGS LTD AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2006

The Auditor-General is the auditor of WRC Holdings Limited (the company) and group. The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company and group on his behalf, for the year ended 30 June 2006.

Unqualified opinion

In our opinion:

- The financial statements of the company and group on pages 6 to 24:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2006; and
    - the results of operations and cash flows for the year ended on that date.
- The performance information of the company and group on pages 6 to 7 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2006.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 26 September 2006 and is the date at which our opinion is expressed.

The basis of our 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 the audit to obtain all the information 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 our opinion.

The 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;
- verifying 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 our 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 and group as at 30 June 2006. They must also give a true and fair view of the results of 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 2006. 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 or any of its subsidiaries.

R L Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand