

WRC HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

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DIRECTORY

Directors

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

Secretary

E P Maguire

Registered Office

142- 146 Wakefield Street
Wellington

Auditors

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

Solicitors

Chapman Tripp Sheffield Young

Bankers

The National Bank of New Zealand Limited

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WRC HOLDINGS LIMITED
STATUTORY REPORT OF DIRECTORS
For the Year ended 30 June 1999

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 1999.

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 the 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

- Gross Rental Revenue was **\$1,199,000** compared to a target of **\$1,219,000**.
- Earnings before Depreciation, Interest & Tax (EBDIT) was **\$1,161,000** compared to a target of \$743,000.
- Ratio of EBDIT to Gross Revenue was 34.2% compared to a target of 47%.
- Return on Assets was 11.5% compared to a target of 9.2%.
- Return on Equity was 48.9% compared to a target of 6.0%.

Dividends

Interim	\$ 0
Final	<u>\$6,000,000</u>
Total	<u>\$6,000,000</u>

Directors

Directors holding office during the year were:

Parent & Wholly Owned Subsidiaries

Subsidiary – CentrePort Limited

S A Macaskill	N J Gould
A E McQueen	K D Harris
A M Lawson	J G Jefferies
J W Rowe	E M Johnson
Hon M K Shields	B K Knowles
	J A Morel
	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	\$970
J W Rowe	\$1,993
Hon M K Shields	Nil



Entries in the Interest Register

Disclosure of Interests by Directors for the year ended 30 June 1999:

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.

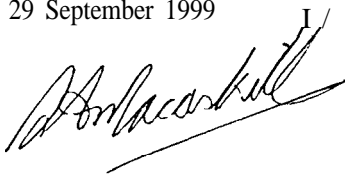
Auditor

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

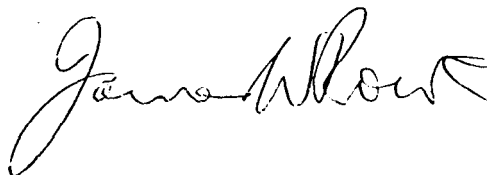
For, and on behalf of, the Board of Directors

S A Macaskill**Director**

29 September 1999

**J W Rowe****Director**

29 September 1999



WRC HOLDINGS LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
For the Year ended 30 June 1999

	Notes	Group		Parent	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
REVENUE		29,704	1,534	7,441	0
Expenses		(23,671)	(2,256)	(1,409)	(1,341)
OPERATING SURPLUS BEFORE SUBVENTION & TAXATION		6,033	(722)	6,032	(1,341)
Subvention payment	2	(560)	(619)	(163)	
OPERATING SURPLUS BEFORE TAXATION		5,473	(1,341)	5,869	(1,341)
Taxation Expense / (Credit)	7	1,864	-	-	-
SURPLUS AFTER TAXATION	14	3,609	(1,341)	5,869	(1,341)
Share of Surplus applicable to minority interest	3	(992)	-	-	-
Share of Earnings of Associate Company after Taxation and Dividends		(66)	-	-	-
SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		2,551	(1,341)	5,869	(1,341)

WRC HOLDINGS LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
For the Year ended 30 June 1999

	Notes	Group		Parent	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
EQUITY - OPENING BALANCE		12,013	13,354	12,013	13,354
Total Recognised Revenue & Expenses		2,551	(1,341)	5,869	(1,341)
Contribution to Owners of Parent Company	4	(6,000)	-	(6,000)	-
Pre-acquisition Minority Interest		13,686	-	-	-
Movements in Minority Interest	3	(1,465)	-	-	-
EQUITY -CLOSING BALANCE		20,785	12,013	11,882	12,013

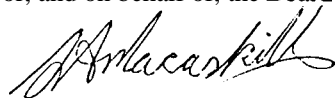
The Accounting Policies and Notes form part of these Financial Statements,

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WRC HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
As at 30 June 1999

	Notes	Group		Parent	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
EQUITY	5	20,785	12,013	11,882	12,013
Represented by:					
ASSETS					
Non Current Assets					
Fixed Assets	6	64,495	326		
Future Taxation Benefit	7	1,356			-
Investments	9	7,663	7,800	46,379	5,714
Total Non Current Assets		73,514	8,126	46,379	5,714
Current Assets					
Cash and Deposits		-	15	8	8
Receivables and Prepayments	10	14,374	4,277	12,544	6,291
Inventories		321			
Total Current Assets		14,695	4,292	12,552	6,299
TOTAL ASSETS		88,209	12,418	58,931	12,013
Less:					
LIABILITIES					
Non Current Liabilities					
Term Loan	11	40,800	-	40,800	-
Current Liabilities					
Bank Overdraft		11	-	-	-
Current portion of Term Loan	11	13,450	-		-
Creditors and Accruals		5,040	35	249	
Provision for Employee Entitlements		1,759			-
Provision for Maintenance		105	370		-
Provision for Dividend	4	6,380		6,000	-
Provision for Taxation – Other		(121)			-
Total Current Liabilities		26,624	405	6,249	-
TOTAL LIABILITIES		67,424	405	47,049	
NET ASSETS		20,785	12,013	11,882	12,013

For, and on behalf of, the Board of Directors



S A Macaskill
Director
29 September 1999



J W Rowe
Director
29 September 1999

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



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WRC HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
For the Year ended 30 June 1999

	Notes	Group		Parent	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was Provided from:</i>					
Receipts from Customers		27,904	-	-	
Dividends Received		175	-	-	
Interest Received		470		953	
Other Income		180			
Taxation Dispute Refund		2,532	-	-	
<i>Cash was Disbursed to:</i>					
Payments to Suppliers and Employees		(15,606)	-	-	
Restructuring Costs Paid		(697)	-	-	
Subvention payment to WRC		(619)	(372)	-	
Income Taxation Paid		(2,684)	-	-	
Interest Paid		(1,734)		(953)	
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	9,921	(372)		
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was Provided from:</i>					
Proceeds from Sale of Fixed Assets		(2)	-	-	-
Proceeds from Sale of Investments		3	-	-	-
<i>Cash was Applied to:</i>					
Purchase of Fixed Assets		(2,158)			
Shareholder Subvention Advance				-	-
Investment in Shares		(40,802)			
Advance to Subsidiary Company		(20)		(40,800)	
NET CASH FLOWS FROM INVESTING ACTIVITIES		(42,979)	-	(40,800)	
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was Provided from:</i>					
Term Debt		40,800			
Movement in Current Account - WRC		440	280		(47)
Movement in Current Account - PHL			-	-	4,513
Part repayment of Loan - WRC			4,540	40,800	
Advances from Bank Financing				-	
<i>Cash was Applied to:</i>					
Settlement of Loans		600	-	-	
Settlement of Subsidiary Company Advances			(4,500)	-	(4,500)
Movement in Current Account - PHL			-	-	
Movement in Current Account - WRC		(6,602)	-	-	-
Dividends Paid		(2,077)	-	-	
NET CASH FLOWS FROM FINANCING ACTIVITIES		33,161	320	40,800	(34)
Net Increase in Cash Held		103	(52)	0	(34)
Cash added on acquisition		(129)	-		
Add Opening Cash Brought Forward		15	67	8	42
CLOSING CASH BALANCE		(11)	15	8	8

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 1999

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 10.

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.

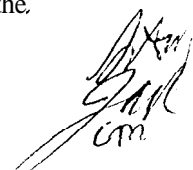
1.2 Fixed Assets

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.



WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

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 valued 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 investment property revaluation reserves. Where this results in a debit balance **in** the reserve, this balance is expensed in 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. This is the partial basis for the calculation of deferred taxation.

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.



WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

1.9 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.

1.10 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.

1.11 Financial Instruments

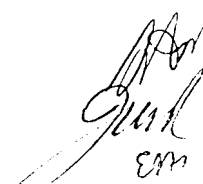
As part of normal operations, the Group is party to financial instruments with off balance sheet risk to meet financing needs. These financial instruments include bank overdraft facilities, forward interest rate and interest swap agreements. Forward interest rate and interest swap agreements are used 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.

1.12 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.

1.13 Changes in Accounting Policies

There have been no material changes in accounting policies during the year.

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WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

NOTE 2

Surplus before Subvention and Taxation

	Group		Parent	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Surplus before Subvention and Taxation	6,033	(722)	6,032	(1,341)
<i>After Crediting:</i>				
REVENUE				
Rental Revenue	1,199	1,168		
Dividends from Associate	175			
Dividends from Subsidiaries			6,000	
Interest Revenue	485	365	1,441	
<i>After Charging:</i>				
EXPENSES				
Bad Debts Write Off	34			
Change in Provision for Doubtful Debts	96	-		
Directors Fees	102		-	
Depreciation	2,760	82	-	
Fees paid to Company Auditors	44	5	2	2
Fees paid to Company Auditors for Other Services	8	14		-
Interest Expense	1,853		1,200	
(Profit)/Loss on Sale of Fixed Assets	(7)	-		
Rental and Lease Expenses	578		-	
Restructuring Costs	376			
Write down of investment in subsidiaries			135	1320
Write down of investment property	430	1,449	-	
Retiring Allowances	377			

NOTE 3

Minority Interests

	Group	
	1999 \$000	1998 \$000
Opening Balance	13,686	
Minority share of operating surplus	992	
Minority dividends paid or payable	(2,457)	-
Closing Balance	12,221	

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 1999

NOTE 4

Dividends

	Group		Parent	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Interim Distributions: Dividend Paid on Ordinary Shares				-
Proposed Distributions: Proposed Dividend on Ordinary Shares	6,380		6,000	
Total Dividends Payable	6,380		6,000	

NOTE 5

Equity

	Group		Parent	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Ordinary Share Capital				
50,000,000 \$1 shares, uncalled, issued without a premium			-	-
24,041,100 \$1 shares, fully paid, issued without a premium	24,041	24,041	24,041	24,041
Redeemable Preference Share Capital				
1,200,000 \$1 shares, fully paid, issued at a premium of \$ 10.25 per share	13,500	13,500	13,500	13,500
1,466,600 \$1 shares, fully paid, issued without a premium	1,466	1,466	1,466	1,466
25,000 \$1000 shares, paid to 1 cent, issued without a premium	1	1	1	1
Total Redeemable Preference Shares	14,967	14,967	14,967	14,967
Total Share Capital	39,008	39,008	39,008	39,008
Retained Earnings	(30,444)	(26,995)	(27,126)	(26,995)
Minority Interest (Note 3)	12,221			
Total Equity	20,785	12,013	11,882	12,013

The Redemption date and dividend payable on the redeemable preference shares is determined by the Directors.

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WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

NOTE 6

Fixed Assets

	cost	Revaluation	Accumulated Depreciation	Net Book Value
	\$000	\$000	\$000	\$000
Group – 1999				
Freehold Land	35,539	2,480		33,059
Buildings, Wharves and Paving	39,325	1,752	14,208	23,365
Cranes and Floating Plant	6,193	214	3,127	2,852
Plant, Vehicles, Furniture and Equipment	21,252	372	15,661	5,219
Total Fixed Assets	102,309	4,818	32,996	64,495
Group – 1998				
Freehold Land	-			
Buildings, Wharves and Paving				
Cranes and Floating Plant				
Plant, Vehicles, Furniture and Equipment	2,493		2,167	326
Total Fixed Assets	2,493		2,167	326

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 Holding Limited, does not hold any fixed assets.



WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

NOTE 7

Taxation

	Group		Parent	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Taxation Expense				
The Income Taxation Expense has been calculated as follows:				
Surplus before Taxation	5,473	(1,341)	5,869	(1,341)
Income Taxation on the Surplus for the Year at 33%	1,806	(443)	1,937	(443)
Adjusted for permanent differences				
Imputation Credits	(86)	-		
Non-assessable income	(60)	-	(1,980)	-
Non-deductible expenditure	186	483	48	438
Timing differences not recognised	46			
Tax loss not recognised		7		5
1998 tax loss recognised	(6)	-	(5)	-
Additional tax depreciation	16	(47)	-	-
Prior Period Adjustment	(38)	-	-	-
Taxation Expense /(Credit)	1,864			

The Taxation Expense is represented by:

Current Year Taxation	2060		
Future Taxation Benefit	(196)	-	-
	1,864	-	

Future Taxation Benefit Comprises

Opening Balance	0	-	
Opening Balance – Centreport at 1/11/98	1,324		-
Current Year Movement	196	-	
Prior Year Adjustments	(164)	-	-
Closing Balance	1,356		

The financial statements accrue subvention payments for the utilisation of losses incurred by the Wellington Regional Council of \$397,441 payable by Pringle House Limited and \$156,678 payable by WRC Holdings Ltd.

During the year Pringle House Limited paid a subvention payment of \$618,681 to the Wellington Regional Council in relation to an amount accrued in the 1998 year.

In 1999 Port Investments Limited and CentrePort Limited entered into a Tax Loss Sharing Agreement under which Port Investments Limited will receive a subvention payment from CentrePort Limited equivalent to 33% of its available losses with the balance of losses offset with CentrePort Limited.

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

The 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 **\$7,444m** (1998 liability of **\$0.02m**), 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, **\$7,394m** relates to **CentrePort** Limited. In addition future tax benefits of **\$0.08m** (1998 **\$0.12m**) attributable to provisions for maintenance have not been recognised.

NOTE 8

Imputation Credit Account

	Group		Parent	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
Opening Balance	20	20	15	15
Opening Balance of CentrePort & Subsidiaries	6,505	-	-	-
Movements	502	-	-	-
Closing Balance	7,027	20	15	15

The imputation credits available to the shareholders of the parent company as at 30 June 1999 include imputation credits available through direct shareholding in the Parent Company and through interest in Subsidiaries.

Imputation credits available to the shareholders of the Parent Company as at 30 June 1999 are:

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

WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

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
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

	Group		Parent	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
Investments in Subsidiary Companies				
Investments are stated at the lower of cost and net asset backing and comprise:				
Pringle House Limited			5,579	5,741
Port Investments Limited	-	-		(27)
Investment in Associate Companies				
Shares in Associate Companies at Cost	212			
Share of Post-Acquisition Retained Earnings	81			
Other Investments				
Investment Property	7570	7,800	-	
Advance to Subsidiary			40,800	
Total Investments	7,663	7,800	46,379	5,714

The company has an advance facility with its subsidiary Port Investments Limited. The facility matures on 28 October 20 18. The interest rate charged on the facility as at 30 June 1999 was 5.04% p.a.

Investment properties representing the Regional Council Centre at 142-146 Wakefield Street, Wellington were valued as at 30 June 1999 by Richard Ellis (Wellington) Limited.

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WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

NOTE 10

Receivables and Prepayments

	Group		Parent	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Trade Receivables	3,012			
Non Trade Receivables	100			
Shareholder Subvention Payment	30			
Associate Company Advance	20			
Prepayments	346			
Interest Receivable			247	-
Dividends Receivable			6,000	
Current Account – PHL			1,800	1,800
Current Account – PIL				
Current Account – WRC	11,018	4,277	4,497	4,491
Provision for Doubtful Debts	(152)	-	-	
Total Receivables and Prepayments	14,374	4,277	12,544	6,291

NOTE 11

Bank Borrowing

The Parent has a bank loan facility of \$55,000,000 drawn to \$40,800,000 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 1999 was 5.04% p.a.

CentrePort Limited has a bank loan facility which is unsecured and matures on 16 June 2000. The interest rate charged on the facility as at 30 June 1999 ranged from 4.8% to 5.1% p.a.

NOTE 12

Operating Leases

	Group		Parent	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Lease commitments for non-cancellable operating leases as at balance date were:				
Less than One Year	348	-		
One to Two Years	285			
Two to Five Years	108	-		
	741			

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WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

NOTE 13

Financial Instruments

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

Fair Values

The estimated fair value of the Interest Rate Swap Agreements is a deficit of \$150,041 (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	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Less than One Year	5,000	-		
One to Two Years	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	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Cash and Deposits		15	8	8
Receivables	14,374	4,277	12,544	6,291

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 concentrations of credit risk.

Credit Facilities

The Group has a total bank overdraft facility of \$1,000,000 and New Zealand dollar Commercial Bill facilities of \$25,000,000. Of these \$13,450,000 (1998: nil) has been drawn down by the Group.

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WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

NOTE 14

Reconciliation of Surplus After Taxation with Cash Flows from Operating Activities

	Group		Parent	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Reported Surplus After Taxation and before including Share of Retained Surplus of Associate Companies	3,609	(1,341)	5,869	(1,341)
Add (Less) Non Cash Items:				
Depreciation	2,760	82	-	-
(Profit)/Loss on Sale of Fixed Assets	(5)	-	-	-
Gain on Sale of Investments	(3)	-	-	-
(Increase)/Decrease in value of investments/properties	430	1,449	135	1,320
Patent Write Off			-	-
Increase in Future Taxation Benefit	(125)	-	-	-
Add (Less) Movements in Working Capital:				
(Increase) / Decrease in Accounts Receivable	130	-	(6,253)	-
Increase / (Decrease) in Accounts Payable	7,535	(6)	6,249	(11)
Increase / (Decrease) in Current Account – Wellington Regional Council	(6,735)	(237)	-	(4,515)
Increase / (Decrease) in Current Account – Pringle House Limited				4,513
Decrease in Inventory	195		-	-
Decrease in Taxation Dispute Deposit	1,857			-
(Increase) / Decrease in Taxation Refund - Other	258			-
Add (Less) Items Classified as Investing and Financing Activities:				
Shareholder Subvention Advance				
Dividends Paid/Payable			(6,000)	
Loan to Associate Company	20			
Increase in Current Accounts relating to Financing Activities	163	(319)	-	34
Increase in Accounts Payable related to Fixed Assets	(168)	-	-	
Net Cash Inflow From Operating Activities	9,921	(372)	-	



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WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

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	
	1999 \$000	1998 \$000
Wellington Regional Council		
Income received from interest on inter company current accounts	241	360
Proposed Dividend	(6,000)	-
Payment for Management fees	(12)	(11)
WRC Holdings Subsidiaries		
Dividend Income	6,000	-
Interest Income on PIL Advance	1,200	

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 \$180 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 are entitled to a daily allowance of \$180 for attending WRC Holdings Group meetings.

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 1999 :

Parent Company

The Parent Company has uncalled capital in Port Investments Limited of \$ 10,000,100. (1998: \$100)

Subsidiary Companies – CentrePort Limited (1998: \$Nil)

The Subsidiary Company has a contingent asset of \$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 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.

A Subsidiary Company of CentrePort Limited has entered into a conditional contract which requires the CentrePort to guarantee rental payments of \$2,000,000.

A claim of \$100,000 for redundancy. CentrePort is defending the action and has an indemnity from a third party in respect to the claim. Professional advice indicates that it is unlikely that any significant liability will eventuate.

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WRC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 30 June 1999

NOTE 17**Capital Commitments**

The following capital commitments existed at 30 June 1999 :

Parent Company

The Parent Company has no capital commitments. (1998: \$Nil)

Subsidiary Companies – CentrePort Limited

At balance date there were commitments in respect of contracts for capital expenditure of \$887,000 (1998: \$187,000).

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**

	1999 \$000	1998 \$000
Fixed Assets	64,595	-
Future Taxation Benefit	1,231	-
Patent	1	-
Investments	358	-
Current Assets	6,243	-
Current Liabilities	(5,092)	-
Long term Debt	(12,850)	-
Minority Interest	(13,686)	-
	40,800	-
Amount due to be paid		
Cash Paid	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 Statement of Financial Performance. The purchase price was \$40,800,000 and was 100% loan funded.



Audit New Zealand

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF WRC HOLDINGS LIMITED AND GROUP FOR THE YEAR ENDED 30 JUNE 1999

We have audited the financial statements and performance information on pages 5 to 21. The financial statements provide information about the past financial performance of WRC Holdings Limited and group and its financial position as at 30 June 1999. This information is stated in accordance with the accounting policies set out on pages 8 to 10.

Responsibilities of the Board of Directors

The Local Government Act 1974 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of WRC Holdings Limited and group as at 30 June 1999 and the results of its operations and cash flows for the year ended 30 June 1999.

Auditor's responsibilities

Section 594ZC of the Local Government Act 1974 requires the Audit Office to audit the financial statements and performance information presented by the Board. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and the performance information and 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 and performance information. It also includes assessing:

- ▲ the significant estimates and judgements made by the Board in the preparation of the financial statements and performance information *and*
- ▲ whether the accounting policies are appropriate to WRC Holdings Limited and group's circumstances, consistently applied and adequately disclosed.

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

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in WRC Holdings Limited and group.

Unqualified opinion

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

In our opinion:

- ▲ proper accounting records have been kept by WRC Holdings Limited and group as far as appears from our examination of those records *and*
- ▲ the financial statements of WRC Holdings Limited and group on pages 5 to 2 1:
 - comply with generally accepted accounting practice *and*
 - give a true and fair view of:
 - the financial position as at 30 June 1999 *and*
 - the results of its operations and cash flows for the year ended on that date *and*
- ▲ the performance information of WRC Holdings Limited and group on page 3 gives a true and fair view of the achievements in relation to the performance targets and other measures adopted for the year ended 30 June 1999.

Our audit was completed on 29 September 1999 and our unqualified opinion is expressed as at that date.

E M Mason

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

