

**PORT INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

Contents	Page
Directory	2
Directors' Report	3
Statement of Financial Performance	5
Statement of Movements in Equity	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Audit Report	12

**PORT INVESTMENTS LTD
DIRECTORY**

Directors

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

Secretary

W J Hastie

Registered Office

142-146 Wakefield Street
Wellington

Auditors

Audit New Zealand
on behalf of the Auditor-General

Solicitors

Chapman **Tripp**

Bankers

ANZ National Bank Ltd

**PORT INVESTMENTS LTD
DIRECTORS' REPORT**

The Directors have pleasure in submitting their 2004 Annual Report and Financial Statements.

Principal Activities

Port Investments Ltd is an investment vehicle of Greater Wellington Regional Council. The object of the company is to effectively manage any investments held, in order to maximise the commercial value to shareholders, while protecting the shareholder's long term interests.

76.9% of CentrePort Ltd was purchased by Port Investments Ltd from Greater Wellington Regional Council on 28 October 1998.

Results and Distributions	2004 \$000	2003 \$000
Net surplus after tax for the financial year	<u>425</u>	<u>813</u>
Dividend distribution	<u>425</u>	<u>813</u>

Disclosure of Interests by Directors

Hon M K Shields
Chairperson of Greater Wellington Regional Council

T J McDavitt
Deputy Chairperson of Greater Wellington Regional Council

F R Long
Councillor of Greater Wellington Regional Council

S A Macaskill
Former Chairperson of Greater Wellington Regional Council

A Blackburn
None

Directors' Interest Register

Directors have had no interest in any transaction or proposed transaction of the company.

Directors' Use of Company Information

There were no notices from Directors requesting use of company information received in their capacity as Directors which would not have otherwise been available to them.

Directors' Indemnity and Insurance

The Company's parent company, WRC Holdings Ltd, has arranged insurance to indemnify the Directors against any liability resulting from any act or omission in their capacity as Directors.

Directors' Remuneration

Details of Directors' remuneration are as follows:

	\$
Hon M K Shields	Nil
T J McDavitt	Nil
F R Long	Nil
S A Macaskill	\$4,000
A Blackburn	\$4,000

Auditor

The Auditor-General is the appointed auditor in accordance with section 15 of the Public Audit Act 2001 and section 70 of the **Local** Government Act 2002. The Auditor-General has appointed Tony Uttley of Audit New Zealand to undertake the audit.

For and on behalf of the Board

Director 

Date: 14 September 2004

Director 

Date: 14 September 2004

PORT INVESTMENTS LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$000	2003 \$000
REVENUE			
Interest income		71	101
Dividend income		2,200	2,662
TOTAL REVENUE		<u>2,271</u>	<u>2,763</u>
OPERATING EXPENSES			
Audit fees	8	3	2
Interest on WRC Holdings Ltd advance		2,629	2,774
Directors fees	4	8	8
Other expenditure	11	80	75
TOTAL EXPENSES		<u>2,720</u>	<u>2,859</u>
NET OPERATING SURPLUS/ (DEFICIT)		<u>(449)</u>	<u>(96)</u>
Taxation expense / (credit)	5	(874)	(909)
NET SURPLUS FOR THE YEAR		<u><u>425</u></u>	<u><u>813</u></u>

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

	2004 \$000	2003 \$000
Net surplus for the year	425	813
Distributions to owners during the year	(425)	(813)
MOVEMENTS IN EQUITY FOR THE YEAR		
Equity as at 1 July 2003	1,533	1,533
EQUITY AS AT 30 JUNE 2004	<u><u>1,533</u></u>	<u><u>1,533</u></u>


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

PORT INVESTMENTS LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	2004 \$000	2003 \$000
EQUITY			
Ordinary share capital	2	-	-
Retained earnings		1,533	1,533
TOTAL EQUITY		1,533	1,533
 Represented by:			
CURRENT ASSETS			
Bank and short term deposits		1	1
Subvention receivable		30	34
Dividends receivable		969	1,385
Current account - Greater Wellington Regional Council	4	1,314	1,274
TOTAL CURRENT ASSETS		2,314	2,694
NON-CURRENT ASSETS			
Investment in subsidiaries	3	44,000	44,000
TOTAL NON-CURRENT ASSETS		44,000	44,000
TOTAL ASSETS		46,314	46,694
 CURRENT LIABILITIES			
Payables		356	348
Dividends payable		425	813
TOTAL CURRENT LIABILITIES		781	1,161
NON-CURRENT LIABILITIES			
Advance from WRC Holdings Ltd	4	44,000	44,000
TOTAL NON-CURRENT LIABILITIES		44,000	44,000
TOTAL LIABILITIES		44,781	45,161
NET ASSETS		1,533	1,533

For and on behalf of the Board

Director



Date: 14 September 2004

Director



Date: 14 September 2004

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

PORT INVESTMENTS LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$000	2003 \$000
Cash flows from operating activities:			
Cash was provided from:			
Dividends received		2,615	1,584
Subvention advances received		878	921
Cash was applied to:			
Interest paid		<u>(2,617)</u>	<u>(2,795)</u>
Net cash flows from operating activities	6	<u>876</u>	<u>(290)</u>
Cash flows from financing activities :			
Cash was provided from:			
Movement in current account - Greater Wellington Regional Council			1,990
Cash was applied to:			
Movement in current account - Greater Wellington Regional Council		(63)	
Dividend paid to WRC Holdings Ltd		<u>(813)</u>	<u>(1,700)</u>
Net cash flows from financing activities		<u>(876)</u>	<u>290</u>
Net increase/(decrease) in cash held		-	-
Add opening cash brought forward		<u>1</u>	<u>1</u>
Closing cash carried forward		<u>1</u>	<u>1</u>

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

PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Port Investments Ltd is registered under the Companies Act 1993 and is a wholly owned subsidiary of WRC Holdings Ltd, which in turn is a wholly owned subsidiary of Greater Wellington Regional Council.

The company is a council controlled trading organisation as defined in section 6 of the Local Government Act 2002. The financial statements are presented in accordance with the requirements of the Companies Act 1993, Financial Reporting Act 1993 and the Local Government Act 2002.

MEASUREMENT BASE

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.

ACCOUNTING POLICIES

The following accounting policies which materially affect the financial statements have been applied.

(a) Income Tax

The tax credit for the year represents the payments received or receivable from other group companies for income tax losses transferred to those companies.

Deferred taxation has been calculated using the liability method on a comprehensive basis. A deferred tax benefit is only recognised if there is virtual certainty of realisation.

(b) 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.

(c) Investments

Investments in subsidiaries are valued at the lower of cost or net asset backing.

(d) Financial Instruments

The Company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors and creditors and are detailed in the Statement of Financial Position. Revenue and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

(e) Revenue Recognition

Interest income and dividend income are recognised on an accrual basis.

(f) Changes in Accounting Policies

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

PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

2. SHARE CAPITAL	2004	2003
	\$000	\$000
Authorised and issued capital		
10,000,100 ordinary shares of \$1 each issued but uncalled.		

3. INVESTMENT IN SUBSIDIARIES	2004	2003
	\$000	\$000
Shares in CentrePort Ltd	44,000	44,000

The estimated value of the company's 76.9% holding in CentrePort Ltd at 30 June 1999 was \$48 million. However, on 30 June 2004, CentrePort revalued its investment properties and operational port land. The result of this revaluation was to increase the value of CentrePort's total assets by \$67.1 million and although no valuation of the company's 79.6% holding was completed, it is likely that the estimated value is significantly in excess of the \$48.0 million estimated in 1999.

CentrePort's assets were valued by Mr AG Stewart and Mr AP Washington, registered valuers with DTZ New Zealand Limited on 30 June 2004. The valuations were based on the assets highest and best use.

4. RELATED PARTY DISCLOSURES

The company pays a management fee to Greater Wellington Regional Council for administrative and management services, meeting expenses and travel reimbursement.

At 30 June 2004 the company has on advance to Greater Wellington Regional Council \$1.31 million (30 June 2003 \$1.27million). The interest rate charged on the advance as at 30 June 2004 was 5.79% p.a. (30 June 2003 5.34%). The advance has no fixed repayment term.

The Company has an unsecured advance facility of \$44,000,000 with its parent WRC Holdings Ltd. The facility matures on 28 October 2018. The interest rate charged on the facility as at 30 June 2004 was 6.44% p.a. (30 June 2003 5.95%).

During the year the company has received dividends and subvention advances from its subsidiary, CentrePort Ltd.

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

Directors fees:

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

Other Directors' remuneration paid during the year

	\$
S A Macaskill	4,000
A Blackburn	4,000
	8,000

PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

5. TAXATION

	2004	2003
	\$000	\$000
Net surplus (deficit) before taxation	(449)	(96)
Prima facie tax expense @ 33%	(148)	(32)
Adjusted for permanent differences		
Non-deductible expenditure	137	(457)
Non assessable income	(863)	(421)
Imputation credits		1
Prior year under/(over) provision		1
Taxation expense/(credit)	(874)	(909)
Taxation expense comprises:		
Current year taxation	(874)	(909)
Future taxation benefit	-	-
Taxation expense/(credit)	(874)	(909)

On 22 September 1998 the company and CentrePort Ltd entered into a Tax Loss Sharing Agreement under which the company will receive a subvention payment from CentrePort Ltd equivalent to 33% of its available losses with the balance of losses offset with CentrePort Ltd. The tax credit for the period represents the amount due from CentrePort Ltd for the current year losses. At 30 June 2004 CentrePort Ltd had advanced \$0.84 million on account of the subvention payment.

The company has obtained a legally binding private ruling from the Inland Revenue that confirms the deductibility of interest payments made on the Company's loan from WRC Holdings Ltd.

	2004	2003
	\$000	\$000
Imputation credit account		
Opening balance	4,360	4,417
Dividends received	1,288	780
Dividends paid	(401)	(837)
Closing balance	5,247	4,360

PORT INVESTMENTS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR **THE YEAR ENDED 30 JUNE 2004**

6. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET SURPLUS/(DEFICIT) AFTER TAX

	2004	2003
	\$000	\$000
Net surplus /(deficit) after taxation	425	813
Add /(less) /movement in working capital:		
(Increase) /decrease in debtors	420	(1,065)
(Increase) /decrease in current account - Greater Wellington Regional Council	(40)	1,970
Increase /(decrease) in creditors	(380)	(905)
Add /(less) items classified as financing activities:		
Decrease in provision for dividends relating to financing activities	388	887
Decrease / (increase) in Greater Wellington Regional Council current account relating to financing activities	63	(1,990)
Net cash flows from operating activities	876	(290)

7. KEY PERFORMANCE TARGETS - Statement of Intent

Key performance targets are set for the WRC Holdings Group as a whole and are reported on in the WRC Holdings Ltd Annual Report and Financial Statements.

8. AUDITORS' REMUNERATION

	2004	2003
	\$000	\$000
Audit New Zealand - audit services	<u>3</u>	<u>2</u>
	<u>1</u>	<u>2</u>

9. CONTINGENT LIABILITIES AND ASSETS

The contingent liabilities and assets of the company at 30 June 2004 were nil (30 June 2003: nil)

10. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at 30 June 2004 but not provided was nil (30 June 2003: nil)

11. OTHER EXPENDITURE

	2004	2003
	\$000	\$000
Bank fees		1
Insurance	4	4
Management fees	70	63
Professional fees	6	7
Other expenditure	80	75



Audit New Zealand

AUDIT REPORT

TO THE READERS OF PORT INVESTMENTS LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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

Unqualified opinion

In our opinion:

- A the financial statements of the company on pages 5 to 11:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - the company's financial position as at 30 June 2004; and
 - the results of its operations and cash flows for the year ended on that date.
- A the performance information of the company on page 11 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2004.
- A based on our examination the company kept proper accounting records.

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

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

Basis of opinion

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

We planned and performed our audit to obtain all the 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 the opinion.

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

Audit procedures generally include:

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

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

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

Responsibilities of the Board of Directors and the Auditor

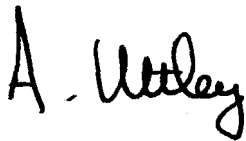
The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company as at 30 June 2004. They must also give a true and fair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

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

Independence

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

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



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