

Transwaste Canterbury Limited

Interim Report

For the six months ended 31 December 2003



The Board of Directors is pleased to present the Interim Report of Transwaste Canterbury Limited for the six months ended 31 December 2003.

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Directory

Company Number CH951024

**Registered Office and
Address for Service** PricewaterhouseCoopers
PricewaterhouseCoopers Centre
Level 11, 119 Armagh Street
Christchurch

Directors Mr D J O'Rourke (Chairperson)
Mr W G Cox
Mr G H Clemens
Mr J A Jamieson (resigned 19 December 2002)
Mr R J Fulton
Mr W E Woods
Mr R J Harris
Mr R E Wickham
Mr MSP Hope (appointed 8 May 2003)

Shareholders	No of Shares (Ordinary)
Canterbury Waste Services Limited	10,000,000
Christchurch City Council	7,570,000
Selwyn District Council	600,000
Ashburton District Council	600,000
Banks Peninsula District Council	210,000
Hurunui District Council	240,000
Waimakariri District Council	780,000
	<hr/> 20,000,000

Company Secretary PricewaterhouseCoopers
Level 11, 119 Armagh Street
Christchurch

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

Solicitors	Buddle Findlay Level 13, Clarendon Tower Centre 78 Worcester Street Christchurch	Chapman Tripp PricewaterhouseCoopers Level 7, 119 Armagh Street Christchurch
Bankers	WestpacTrust 93 Armagh Street Christchurch	
Principal Activity	To select, consent, develop, own and operate a non-hazardous regional landfill in Canterbury.	

Directors Report to the Shareholders

For the six months ended 31 December 2003

Your Directors take pleasure in presenting their Interim Report including the financial statements of the Company for the six months ended 31 December 2003.

Principal Activities The Company was incorporated on 31 March 1999 with the principal purposes of selecting, consenting, developing, owning and operating a non-hazardous regional landfill in Canterbury. All activities to date have been in accordance with those purposes. As at 31 December 2003, the Company was engaged in the consenting process.

There has been no material change in the nature of the business of the company during the period.

State of Affairs The results of operations during the period, financial position and state of affairs of the Company are as detailed in the accompanying financial statements.

Directors' Remuneration	2003		2002	
	Directors Fees	Other Remuneration	Directors Fees	Other Remuneration
Mr DJ O'Rourke	6,000	-	6,000	-
Mr WG Cox	6,000	-	6,000	-
Mr GH Clemens	6,000	3,000	6,000	3,000
Mr JA Jamieson	-	-	6,000*	-
Mr RJ Fulton	6,000*	-	6,000*	-
Mr RJ Harris	6,000*	-	6,000*	-
Mr W E Woods	6,000	-	6,000	-
Mr R E Wickham	6,000*	-	6,000*	-

Mr MSP Hope	6,000*	-	-	-
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Mr GH Clemens received remuneration totalling \$3,000 for maintaining a prudential supervisory role with Tiromoana Station Limited. No other remuneration or benefits have been paid to Directors. The fees and remuneration have been entered in the interests register.

*The Directors fees for Messrs Jamieson, Fulton, Harris, Wickham and Hope are paid to the companies they represent.

Directors' Interests

The Company is required to maintain an interests register in which the particulars of certain transactions and matters involving the Directors must be recorded. The interests register for the Company is available for inspection by shareholders at the registered office.

The Directors have disclosed interest in the following entities pursuant to section 140 of the Companies Act 1993:

MR D J O'ROURKE

<i>Company</i>	<i>Position Held</i>
Christchurch International Airport Limited	Director
Christchurch City Council	Councillor
The Recovered Materials Foundation	Chairman
Central Plains Water Trust	Trustee

MR W G COX

<i>Company</i>	<i>Position Held</i>
Elastomer Products Limited group of companies	Director
Mainpower New Zealand Limited	Director
Advanced Business Education Limited	Director
Coolpak Coolstores Limited	Director
Landpower Holdings Limited group of companies	Director

MR G H CLEMENS

<i>Company</i>	<i>Position Held</i>
Saint Columbe Company Limited	Director
Waimakariri Irrigation Limited	Director
Strategy One Limited	Director
G2 Investments Limited	Director
Wairangi Bay Aquaculture Limited	Director
Ashley Dairy Limited	Director
Sea Harvest International Limited	Director

MR R J FULTON

<i>Company</i>	<i>Position Held</i>
Fulton Hogan Limited	Director
Canterbury Waste Services Limited	Director
EnviroWaste Services Limited	Director
FRH Group Pty Limited	Director

MR R J HARRIS

<i>Company</i>	<i>Position Held</i>
Canterbury Waste Services Limited	Director
Otago Southland Waste Services Limited	Director
Tiromoana Station Limited	Director

MR R E WICKHAM

<i>Company</i>	<i>Position Held</i>
Tiromoana Station Limited	Director
Canterbury Waste Services Limited	Director
Fulton Hogan Land Development Limited	Director
Manawatu Waste Limited	Director
Enviroway Limited	Director

MR MSP HOPE

<i>Company</i>	<i>Position Held</i>
Canterbury Waste Services Limited	Director

Living Earth Limited	Director
Midwest Disposals Limited	Director

MR WE WOODS

<i>Company</i>	<i>Position Held</i>
Selwyn Council Trading Enterprises Limited	Director
Selwyn District Council	Councillor
Canterbury Museum Trust Board`	Trustee
Summit Road Protection Authority	Chairman
Sister Cities New Zealand Inc.	Director

Directors Report to the Shareholders (Continued)

For the six months ended 31 December 2003

All transactions the Company has entered into with parties in which Directors hold directorships have been entered into in the ordinary course of business. As a result no specific disclosures are required.

Directors' Remuneration and Other Benefits

Details of the Directors' remuneration are provided above.

Information used by Directors

No member of the Board of Transwaste Canterbury Limited issued a notice requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Indemnification and Insurance of Officers and Directors

The Company indemnifies all Directors named in this report against all liabilities (other than to the Company) that arise out of the performance of their normal duties as Director, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Company has indemnity insurance. The annual cost of this insurance is \$13,250.

Recommended Dividend The Directors recommend that no dividend be paid for the period.

Donations The Company made no donations during the period.

Auditor's Remuneration The auditor of the Company is Audit New Zealand

The remuneration for auditing services provided by Audit New Zealand for the period was \$5,000. No other services were provided by the auditor.

Statement of Objectives and Performance

For the six months ended 31 December 2003

Targets were set under the Statement of Intent for the three years ending 30 June 2006. A comparison of achievement against those targets is as follows:

Objective

Shareholder Interests: To operate a successful business

Performance Measures	Progress Toward Achievement
(a) To establish a consented regional landfill that will be operational as soon as possible with a target date of 31 March 2005.	Resource consents were granted by Environment Canterbury and Hurunui District Council in a decision received by the company on 22 April 2003. The consents are subject to appeals to the Environment Court.
(b) To investigate and make long term investment decisions that will allow the Company, once the regional landfill is operating, to achieve a Fair Rate of Return. This is an appropriate risk adjusted return on investment, bearing in mind the objective is to achieve recovery of at least the weighted average cost of capital. Assessment of an appropriate risk adjusted return will include allowance for an appropriate risk free return on investment, market risk premium, special waste industry factors and any other particular risks relating to the nature of the operations.	Not applicable until landfill is operational.
(c) To develop clear financial objectives to eventually, once the Company is in an operational mode, provide a Fair Rate of Return to shareholders and the managing of operating costs and efficiencies in accordance with criteria	Not applicable until landfill is operational.

Performance Measures	Progress Toward Achievement
and processes previously agreed by the shareholders and associated parties.	

Statement of Objectives and Performance (Continued)

For the six months ended 31 December 2003

Objective

Shareholder Interests: To operate a successful business (continued)

Performance Measures	Progress Toward Achievement
<p>(d) To develop during the calendar year following the selection of a proposed site, a time frame for the completion of key milestone events including:</p> <ul style="list-style-type: none"> (i) selection of the landfill site; (ii) purchasing the landfill site; (iii) obtaining consents for the landfill site; and (iv) operation of the landfill. 	<p>Programme developed and reviewed as necessary, including:.</p> <p>Site selected at Kate Valley</p> <p>CWS has secured the proposed landfill site at Kate Valley</p> <p>Resource consents granted but subject to appeals to the Environment Court</p> <p>Dependent on consent conditions.</p>
<p>(e) To develop objectives concerned with the maintenance of long-term contractual arrangements with suppliers of goods and services.</p>	<p>Not applicable until landfill is operational.</p>

Statement of Objectives and Performance (Continued)

For the six months ended 31 December 2003

Objective

Healthy Environment: To ensure that the Company and its associates meet and exceed present and future environmental standards in a manner which is consistent with the preservation of the natural environment and the careful and sustainable management of natural resources

Performance Measures	Progress Towards Achievement
(a) No breaches of Resource Management Act consents.	Not applicable for 2003 - no consents utilised to date.
(b) To establish prior to the commencement of landfill operations an appropriate risk fund mechanism to cover environmental risk.	Not applicable for 2003. Not applicable until landfill is operational. Not applicable until landfill is operational.
(c) Develop and issue an Environment Policy Document.	Not applicable until landfill is operational.
(d) Establish and maintain an appropriate Risk Fund to cover environmental risk.	Not applicable until landfill is operational.

Objective

Corporate Citizenship: To be a responsible Corporate Citizen by acting lawfully, fairly and honestly and to be sensitive to local issues.

Performance Measures	Progress Towards Achievement
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<p>(a) To ensure compliance with any contractual arrangements.</p> <p>(b) To ensure compliance with all relevant legislative and regulatory requirements.</p> <p>(c) Once the landfill is operating, to develop a 'Triple Bottom Line' approach in reporting to its shareholders, stakeholders, customers and the community within which it operates. In using this approach the company will report on social and environmental outcomes as well as its financial performance.</p>	<p>Requirements observed.</p> <p>Requirements observed.</p> <p>Not applicable until landfill is operational.</p>
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Statement of Objectives and Performance (Continued)

For the six months ended 31 December 2003

Objective

Customer Relations: Meet the present and future needs of consumers with high standards of value, quality and service and establish effective relations with customers

Performance Measures	Progress Toward Achievement
(a) Timely transport services.	Not applicable until Landfill is operational
(b) Fair and reasonable gate fee.	Not applicable until Landfill is operational.
(c) Reliability of availability of access to the landfill.	Not applicable until Landfill is operational.
(d) To establish effective statistical performance measures which the landfill, transport and other operations run by the Company must achieve.	Not applicable until Landfill is operational.

Objective

Good Employer: Be a Good Employer and strive for zero injury accidents in all operations the Company will be responsible for, whilst maintaining a high level of service and production, and to seek undertakings from contractors engaged that they will adhere to the objective and performance targets set out under this clause

Performance Measures	Progress Toward Achievement
(a) Adopting objectives and policies that detail the relationship with employees, their remuneration, safety and other issues such as equal opportunity in employment.	Not applicable for 2003 - no employees.
(b) Ensuring that its employees have secure and rewarding employment which provides the means for personal development.	Not applicable for 2003 - no employees.
(c) Clearly defining the performance standards expected of all employees	Not applicable for 2003 - no employees.

<p>and by appropriate action mechanisms ensuring that these standards are met.</p> <p>(d) Ensuring that in all activities the Company and its contractors have Health and Safety Management Plans in place.</p>	<p>Undertaking received from Canterbury Waste Services Limited covering all activities including farming activities. Regular reports are received in this regard.</p>
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Statement of Objectives and Performance (Continued)

For the six months ended 31 December 2003

Objective

Consultation and Community Relations: Establish and maintain good relations with the local host community of the landfill and consult with that group and other interest groups (including Tangata Whenua) on issues that are likely to affect them

Performance Measures	Progress Toward Achievement
<p>(a) Establish and maintain a community fund (financed from the gate fee) for the purpose of benefiting the local community immediately affected by the landfill operation.</p>	<p>Not applicable until landfill is operational.</p>
<p>(b) Consult to the fullest extent practicable with the host community concerning landfill operations.</p>	<p>CWS staff have had extensive discussions with interest groups.</p>
<p>(c) Consult with interest groups including Tangata Whenua on a regular basis and discuss all issues likely to affect them.</p>	<p>CWS staff have continued discussions with Ngai Tahu and relevant iwi.</p>

Statement of Accounting Policies

For the six months ended 31 December 2003

Reporting Entity

Transwaste Canterbury Limited is a company registered under the Companies Act 1993 and is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The company represents a joint venture between Canterbury Waste Services Limited (which is 50% owned by EnviroWaste Services Limited and 50% owned by Waste Management NZ Limited) and six local authorities in Canterbury.

The objective of the company is to select, develop and operate a non-hazardous landfill for the Canterbury region. The company will own the landfill.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993, the Companies Act 1993 and the Local Government Act 2002.

Measurement Base

The financial statements have been prepared on the historical cost basis.

Accounting Policies

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

Revenue

Goods and services

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Investment income

Interest income is accounted for as earned.

Statement of Accounting Policies (Continued)

For the six months ended 31 December 2003

Tax

The tax expense recognised for the period is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules.

The company follow the comprehensive basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised. No such benefit is presently recognised.

Goods and Services Tax (GST)

The statement of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Property, Plant and Equipment

Capitalised landfill costs include all directly attributable costs incurred to bring a landfill to the location and condition necessary for its intended service. Landfill costs include all activities associated with decisions on location, consultation with interested parties, obtaining Resource Management Act consent, preparation and construction of the landfill and net financing costs that are directly attributable to the project. Costs will cease to be capitalised as soon as an asset is ready for productive use.

Capitalised landfill costs also include any gains or losses from the farming and forestry operations of Tiromoana Station Limited, as they are a consequential function in carrying out Transwaste's primary role of developing a landfill.

Impairment

Annually, the directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the statement of financial performance.

Statement of Accounting Policies (Continued)

For the six months ended 31 December 2003

Financial Instruments

The company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, receivables, trade creditors and borrowings. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

All financial instruments are recognised in the statement of financial position at their estimated fair value.

Statement of Cash Flows

The following are the definitions of the terms used in the statement of cash flows:

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financial activities.
- (d) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Changes in Accounting Policies

There have been no changes in accounting policies in the period.

Statement of Financial Performance

For the six months ended 31 December 2003

	Note	2003 \$'000	2002 \$'000
Operating revenue		-	-
Less Operating expenses			
Audit fees		3	3
Directors fees		48	48
Other expenses		94	68
Total operating expenses		<u>145</u>	<u>119</u>
Operating surplus/(deficit) before income tax		(145)	(119)
Income tax	6	-	-
Net surplus/(deficit)		<u><u>(145)</u></u>	<u><u>(119)</u></u>

Statement of Movements in Equity

For the six months ended 31 December 2003

	Note	2003 \$'000	2002 \$'000
Equity at beginning of period		14,804	15,052
Net surplus/(deficit) and total recognised revenues and expenses for the period		(145)	(119)
Contribution from owners	3	-	-
Equity at end of period		<u>14,659</u>	<u>14,933</u>

Statement of Financial Position

As at 31 December 2003

	Note	2003 \$'000	2002 \$'000
Equity			
Paid in capital	3	16,000	16,000
Retained earnings	4	<u>(1,341)</u>	<u>(1,067)</u>
Total equity		<u>14,659</u>	<u>14,933</u>
Represented by			
Assets			
<i>Current Assets</i>			
Cash and bank balances		–	201
Accrued interest		–	1
Receivables and prepayments	7	1,150	1,573
Advances	8	4,600	4,600
GST balance		71	65
Taxation receivable		–	14
Total current assets		<u>5,821</u>	<u>6,454</u>
<i>Non-current Assets</i>			
Landfill (capitalised work in progress)		<u>11,615</u>	<u>9,037</u>
Total non-current assets		<u>11,615</u>	<u>9,037</u>
Total Assets		17,436	15,491
Liabilities			
<i>Current Liabilities</i>			
Cash and bank balances		2,320	
Payables and accruals	9	<u>457</u>	<u>558</u>
Total current liabilities		<u>2,777</u>	<u>558</u>
Net Assets		<u>14,659</u>	<u>14,933</u>

Statement of Cash Flows

For the six months ended 31 December 2003

	2003 \$'000	2002 \$'000
Cash flows from operating activities		
<i>Cash was applied to:</i>		
Payments to suppliers	(169)	(133)
Net GST received	7	(12)
Income tax paid	—	—
Net cash inflow/(outflow) from operating activities	<u>(162)</u>	<u>(145)</u>
Cash flows from investing activities		
<i>Cash was applied to:</i>		
Advances	—	—
Landfill (capitalised work-in-progress)	<u>(1,707)</u>	<u>(1,015)</u>
Net cash inflow/(outflow) from investing activities	<u>(1,707)</u>	<u>(1,015)</u>
Cash flows from financing activities		
<i>Cash was provided from:</i>		
Increase in share capital	<u>—</u>	<u>—</u>
Net cash inflow/(outflow) from financing activities	<u>—</u>	<u>—</u>
Net increase/(decrease) in cash held	(1,869)	(1,160)
Cash at beginning of period	(451)	1,361
Cash at end of period	<u>(2,320)</u>	<u>201</u>
Composition of cash		
Bank savings account	—	—
Bank current account	(2,320)	5
Bank money market	<u>—</u>	<u>196</u>
	<u>(2,320)</u>	<u>201</u>
Reconciliation with net operating deficit		
Reported deficit after tax	(145)	(119)
Impact of changes in working capital items		
GST receivable	7	(12)
Taxation receivable	—	—
Accounts payable	(18)	(7)
Prepayments	<u>(6)</u>	<u>(7)</u>

	(17)	(26)
Net cash outflow from operating activities	(162)	(145)

Notes to the Financial Statements

For the six months ended 31 December 2003

1. Segment Information

Industry Segment

The company operates in the waste management industry, with the principle purposes of selecting, consenting, developing, owning and operating a non-hazardous landfill in Canterbury.

Geographic Segment

The operations of the company are centred in the Canterbury region.

2. Continuing/Discontinued Activities

All activities comprise continuing activities. There were no discontinued activities during the year.

3. Share Capital

	2003 \$'000	2002 \$'000
<i>Issued and paid-in capital</i>		
20,000,000 ordinary shares	20,000	20,000
Less uncalled capital	4,000	4,000
Total paid-in capital 31 December 2003	16,000	16,000

Uncalled capital is payable at such times as the Board may determine from time to time.

4. Retained Earnings

	2003 \$'000	2002 \$'000
Balance at beginning of period	(1,196)	(948)
Net deficit for the period	(145)	(119)
Balance at end of period	(1,341)	(1,067)

Notes to the Financial Statements (Continued)

For the six months ended 31 December 2003

5. Imputation Balance

	2003 \$'000	2002 \$'000
Opening imputation credit balance	12	12
Add income tax paid	-	-
Less income tax refunded	12	-
Closing imputation balance	<u>-</u>	<u>12</u>

6. Income Tax

	2003 \$'000	2002 \$'000
Net deficit before tax	(145)	(119)
Prima facie tax at 33%	(48)	(39)
Plus (less) tax effect of:		
Permanent differences	-	-
Timing differences not recognised	(608)	(257)
Tax loss not recognised	656	296
Total taxation expense	<u>0</u>	<u>0</u>
Comprising:		
Current tax	0	0
Deferred tax	0	0
	<u>0</u>	<u>0</u>

Taxable losses of \$9,684,640 (2002: \$6,360,875) with a tax effect of \$3,195,931 (2002: \$2,099,089) have not been recognised. The taxable loss will be offset against future taxable income.

Utilisation of these losses is dependent upon the company earning future taxable income and continuity of ownership provisions of the Income Tax Act.

Future taxation benefits attributable to timing differences or losses carried forward are not recognised in the financial statements because there is no virtual certainty that the benefit of the timing differences or losses will be utilised.

Notes to the Financial Statements (Continued)

For the six months ended 31 December 2003

7. Receivables and prepayments

	2003	2002
	\$'000	\$'000
Prepayments Canterbury Waste Services Limited	500	400
Insurance	6	7
Receivables Tiromoana Station Limited	644	848
Canterbury Waste Services Limited	-	318
	1,150	1,573

Prepayments

The amounts paid to Canterbury Waste Services Limited are on account of ongoing project costs. The company has a right of set-off between the prepayment and the balance outstanding for project expenditure, which at 31 December 2003 was \$170,000 (2002 : \$320,000).

Receivables

Of the amount receivable from Tiromoana Station Limited, \$506,000 (2002: \$572,000) relates to the accumulated surpluses and deficits from farming and forestry operations to which Transwaste Canterbury Limited is entitled during the period Tiromoana Station Limited is owned by Canterbury Waste Services Limited. The amount is payable on demand and is interest free.

The remaining \$138,000 (2002:\$276,000) relates to interest receivable on the advance to Tiromoana Station Limited (refer Note 8 below).

8. Advances

The company has advanced \$4,600,000 to Tiromoana Station Limited, a wholly-owned subsidiary of Canterbury Waste Services Limited.

The advance is secured by second mortgage over the land and buildings and second debenture over the assets and undertakings of Tiromoana Station Limited.

The advance is expected to be repaid in full within one year. Interest is charged at 12% and charged against Landfill (capitalised work in progress) costs.

Notes to the Financial Statements (Continued)

For the six months ended 31 December 2003

9. Payables and Accruals

	2003 \$'000	2002 \$'000
Trade creditors and accruals	14	20
Amounts owing to related parties	<u>443</u>	<u>538</u>
	<u>457</u>	<u>558</u>

10. Bank Balance

The bank overdraft is secured by way of registered general security agreement over the company's assets, undertakings and uncalled capital. The interest rate is the Westpac Prime Lending Rate, which at 31 December 2003 was 6.80%.

11. Commitments

No amounts have been committed by the company but not recognised in the financial statements at 31 December 2003 (2002:\$nil).

12. Contingent Liabilities

There are no contingent liabilities at 31 December 2003 (2002 -nil).

13. Related Party Information

Christchurch City Council, Canterbury Waste Services Limited, Waste Management (NZ) Limited and EnviroWaste Services Limited are considered to be related parties of Transwaste Canterbury Limited by virtue of the significance of their ownership in the company. The amount owing to these entities at 31 December 2003 totals \$443,187 (2002 : \$538,000) and is included in payables and accruals disclosed in note 9.

Costs relating to the capitalised landfill work in progress are predominantly incurred by the related parties and are payable by the company on a reimbursement basis. The total amount of transactions for the six months ended 31 December 2003 is \$1,381,819 (2002 : \$1,461,482).

All transactions the Company has entered into with parties in which Directors hold directorships have been entered into in the ordinary course of business.

Mr GH Clemens received remuneration totalling \$3,000 for maintaining a prudential supervisory role with Tiromoana Station Limited.

No amounts owed by related parties have been written off or forgiven during the period.

Notes to the Financial Statements (Continued)

For the six months ended 31 December 2003

14. Financial Instruments

Transwaste Canterbury Limited is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, and trade creditors.

The company is risk averse and seeks to minimise exposure from its Treasury activities. Its policies do not allow any transactions which are speculative in nature to be entered into.

Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates.

The Directors do not consider there is any significant exposure to interest rate risk on its investments.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Transwaste Canterbury Limited has no exposure to currency risk.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the company, causing the company to incur a loss.

Financial instruments, which potentially subject the company to risk, consist principally of short-term investments.

The company invests in high credit quality financial institutions.

The company does not require any collateral or security to support financial instruments with organisations it deals with.

Fair Value

The fair value of the company's financial instruments is approximated by the carrying amount disclosed in the Statement of Financial Position.

Notes to the Financial Statements (Continued)

For the six months ended 31 December 2003

13. Audit

These interim financial statements for the six months ended 31 December 2003, have not been audited.