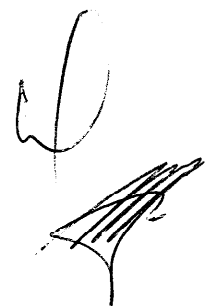


**PRINGLE HOUSE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2001**

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**PRINGLE HOUSE LIMITED  
DIRECTORY**

**Directors**

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

**Secretary**

E P Maguire

**Registered Office**

142-146 Wakefield Street  
Wellington

**Auditors**

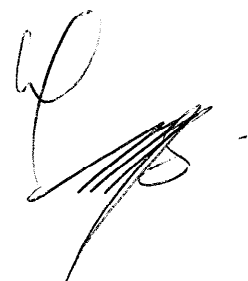
Audit New Zealand  
on behalf of the Controller and Auditor-General

**Solicitors**

Chapman Tripp Sheffield Young

**Bankers**

The National Bank of New Zealand Limited

A handwritten signature in black ink, consisting of a large, stylized initial 'W' followed by several horizontal strokes and a vertical line extending downwards.

**PRINGLE HOUSE LIMITED  
DIRECTORS' REPORT**

The Directors have pleasure in submitting their 2001 Annual Report and Financial Statements.

**Principal Activities**

The company's principal activities during the period were the ownership and management of its property assets. The object of the company is to own and operate the Wellington Regional Council's main office at 142-146 Wakefield Street, Wellington (known as the Regional Council Centre), on a cost effective basis.

| <b>Results and Distributions</b>                       | <b>2001</b>  | <b>2000</b>  |
|--|--------------|--------------|
|  | <b>\$000</b> | <b>\$000</b> |
| Net surplus (deficit) after tax for the financial year | <u>(101)</u> | <u>(68)</u>  |
| Dividend distribution                                  | <u>-</u>     | <u>-</u>     |

**Directors**

**Disclosure of Interests by Directors**

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' Interest Register**

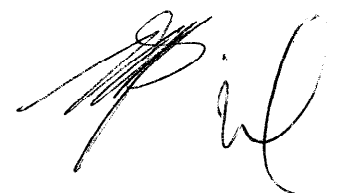
Directors have had no interest in any transaction or proposed transaction of the company.

**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 Limited, has arranged insurance to indemnify the Directors against any liability resulting from any act or omission in their capacity as Directors.



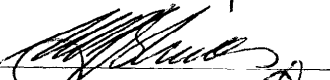
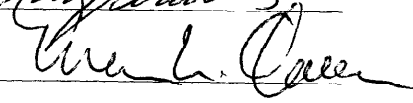
Details of Directors' remuneration are as follows:

|                 |         |
|-----------------|---------|
| S A Macaskill   | Nil     |
| A E McQueen     | Nil     |
| A M Lawson      | \$6,250 |
| J W Rowe        | \$6,250 |
| Hon M K Shields | Nil     |

**Auditor**

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

For and on behalf of the Board

Director   
Director 

Date: 18/9/2001  
Date: 18/9/2001

**PRINGLE HOUSE LIMITED**  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2001

|  | Note | 2001<br>\$000       | 2000<br>\$000      |
|--|------|---------------------|--------------------|
| <b>REVENUE</b>                               |      |                     |                    |
| Rental income                                |      | 1,299               | 1,270              |
| Interest income                              |      | 29                  | 12                 |
| Other income                                 |      | 123                 | 119                |
| <b>TOTAL OPERATING REVENUE</b>               |      | <u>1,451</u>        | <u>1,401</u>       |
| <b>EXPENSES</b>                              |      |                     |                    |
| Audit fees                                   | 13   | 2                   | 2                  |
| Depreciation                                 |      | 41                  | 52                 |
| Legal fees                                   |      | -                   | 1                  |
| Management fees                              |      | 164                 | 156                |
| Professional fees                            |      | 9                   | 28                 |
| Directors fees                               | 8    | 13                  | 13                 |
| Operating costs                              | 11   | 552                 | 620                |
| Write down in value of investment properties | 4    | 265                 | 225                |
| <b>TOTAL EXPENSES</b>                        |      | <u>1,046</u>        | <u>1,097</u>       |
| <b>NET OPERATING SURPLUS</b>                 |      | <b>405</b>          | <b>304</b>         |
| Subvention payment                           | 2    | (506)               | (372)              |
| <b>NET SURPLUS (DEFICIT) BEFORE TAXATION</b> |      | <u>(101)</u>        | <u>(68)</u>        |
| Taxation expense                             | 2    | -                   | -                  |
| <b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>    |      | <u><b>(101)</b></u> | <u><b>(68)</b></u> |

**PRINGLE HOUSE LIMITED**  
STATEMENT OF MOVEMENTS IN EQUITY  
FOR YEAR ENDED 30 JUNE 2001

|   | 2001<br>\$000       | 2000<br>\$000       |
|---|---------------------|---------------------|
| EQUITY AT START OF THE YEAR                         | 5,511               | 5,579               |
| Net surplus (deficit) for the year                  | (101)               | (68)                |
| Total recognised revenues and expenses for the year | (101)               | (68)                |
| <b>EQUITY AT END OF THE YEAR</b>                    | <u><b>5,410</b></u> | <u><b>5,511</b></u> |

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

**PRINGLE HOUSE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2001**

|   | Note | 2001<br>\$000 | 2000<br>\$000 |
|---|------|---------------|---------------|
| <b>EQUITY</b>                                 |      |               |               |
| Ordinary share capital                        | 3    | 14,666        | 14,666        |
| Redeemable preference shares                  | 3    | 9,375         | 9,375         |
| Accumulated deficit                           |      | (18,631)      | (18,530)      |
| <b>TOTAL EQUITY</b>                           |      | <b>5,410</b>  | <b>5,511</b>  |
| <br>  |      |               |               |
| <b>Represented by:</b>                        |      |               |               |
| <br>  |      |               |               |
| <b>NON CURRENT ASSETS</b>                     |      |               |               |
| Investment properties                         | 4    | 6,880         | 7,145         |
| Fixed assets                                  | 5    | 166           | 207           |
| <b>TOTAL NON CURRENT ASSETS</b>               |      | <b>7,046</b>  | <b>7,352</b>  |
| <br>  |      |               |               |
| <b>CURRENT ASSETS</b>                         |      |               |               |
| Bank & short term deposits                    |      | 1             | 1             |
| Debtors                                       |      | 11            | 12            |
| Current account - Wellington Regional Council | 8    | 219           | 182           |
| <b>TOTAL CURRENT ASSETS</b>                   |      | <b>231</b>    | <b>195</b>    |
| <b>TOTAL ASSETS</b>                           |      | <b>7,277</b>  | <b>7,547</b>  |
| <br>  |      |               |               |
| <b>CURRENT LIABILITIES</b>                    |      |               |               |
| Creditors                                     |      | 67            | 131           |
| Provision for maintenance                     |      | -             | 105           |
| <b>TOTAL CURRENT LIABILITIES</b>              |      | <b>67</b>     | <b>236</b>    |
| <br>  |      |               |               |
| <b>TERM LIABILITIES</b>                       |      |               |               |
| Current account - WRC Holdings Limited        | 8    | 1,800         | 1,800         |
| <b>TOTAL TERM LIABILITIES</b>                 |      | <b>1,800</b>  | <b>1,800</b>  |
| <b>TOTAL LIABILITIES</b>                      |      | <b>1,867</b>  | <b>2,036</b>  |
| <br>  |      |               |               |
| <b>NET ASSETS</b>                             |      | <b>5,410</b>  | <b>5,511</b>  |

For and on behalf of the Board

Director



Date:

18 Sept 2001

Director



Date:

18/9/2001

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

**PRINGLE HOUSE LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2001**

|      | 2001  | 2000  |
|------|-------|-------|
| Note | \$000 | \$000 |

**Cash flow from operating activities**

Cash was applied to:

Subvention payment to Wellington Regional Council

Net cash flows from operating activities

|   |              |              |
|---|--------------|--------------|
|   | (372)        | (397)        |
| 9 | <u>(372)</u> | <u>(397)</u> |

**Cash flow from financing activities**

Cash was provided from:

Movement in current account - Wellington Regional Council

Net cash flow from financing activities

**Net increase (decrease) in cash held**

Add opening cash brought forward

**Closing cash carried forward**

|  |                 |                 |
|--|-----------------|-----------------|
|  | 372             | 390             |
|  | <u>372</u>      | <u>390</u>      |
|  | -               | (7)             |
|  | <u>1</u>        | <u>8</u>        |
|  | <u><u>1</u></u> | <u><u>1</u></u> |

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



**PRINGLE HOUSE LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

**1. STATEMENT OF ACCOUNTING POLICIES**

**REPORTING ENTITY**

Pringle House Limited is registered under the Companies Act 1993 and is a wholly owned subsidiary of WRC Holdings Limited, which in turn 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 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.

**MEASUREMENT BASE**

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an 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) Investment Properties**

Investment properties are revalued annually to net current value based on an independent valuation. The result of the revaluation is credited or debited to the statement of financial performance. There is no depreciation on investment properties.

**(b) Fixed Assets**

Fixed assets are recorded at historical cost.

**(c) Depreciation**

Assets are depreciated at 20% using the diminishing value method.

**(d) Income Tax**

The income tax expense charged to the statement of financial performance includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible costs.

Deferred taxation is accounted for using the liability method on a comprehensive basis. A deferred tax benefit relating to tax losses is only recognised if there is virtual certainty of realisation.

**(e) Goods & Services Tax (GST)**

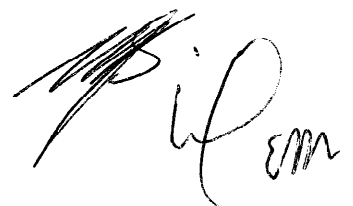
All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

**(f) 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.

**(g) Revenue Recognition**

Rental income and interest income is recognised on an accrual basis.





**PRINGLE HOUSE LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

**(h) Comparatives**

Where necessary, comparatives have been restated to assist comparability.

**CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies since the date of the last audited financial statements. All policies have been applied on a basis consistent with prior years.

A handwritten signature in black ink, appearing to be 'P. J. O'M' or similar, located in the bottom right corner of the page.

**PRINGLE HOUSE LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

| <b>2. TAXATION</b>                                 | <b>2001</b>  | <b>2000</b>  |
|--|--------------|--------------|
|  | <b>\$000</b> | <b>\$000</b> |
| Net surplus (deficit) before taxation              | (101)        | (68)         |
| Prima facie tax expense @ 33%                      | (33)         | (22)         |
| <b>Adjusted for permanent differences</b>          |              |              |
| Non-deductible expenditure                         | 87           | 74           |
| Non-assessable income                              | -            | -            |
| Deferred tax movement on provisions not recognised | (54)         | (52)         |
| <b>Taxation expense</b>                            | <u>-</u>     | <u>-</u>     |

The 2001 financial statements include provision for a subvention payment of \$506,418 (30 June 2000: \$371,605) to be made by Pringle House Limited for utilisation of the losses of the Wellington Regional Council.

**Deferred Taxation**

A deferred tax asset of \$0.71m (30 June 2000 \$0.66m) has not been recognised on timing differences arising from the difference between accounting and tax depreciation in respect of all fixed assets. This is on the basis that there is no virtual certainty of the realisation of that asset.

| <b>Imputation Credit Account</b> | <b>2001</b>  | <b>2000</b>  |
|----------------------------------|--------------|--------------|
|                                  | <b>\$000</b> | <b>\$000</b> |
| Opening balance                  | 4            | 4            |
| Movement during the year         | -            | -            |
| <b>Closing balance</b>           | <u>4</u>     | <u>4</u>     |

**3. SHARE CAPITAL & REDEEMABLE PREFERENCE SHARES**

|   | <b>2001</b>   | <b>2000</b>   |
|---|---------------|---------------|
|   | <b>\$000</b>  | <b>\$000</b>  |
| <b>Ordinary Share Capital</b>   |               |               |
| Authorised and issued Capital 14,666,100 \$1 fully paid ordinary shares   | <u>14,666</u> | <u>14,666</u> |
| <b>Redeemable Preference Shares</b>   |               |               |
| \$1 fully paid redeemable preference shares. Redemption date and dividend payable on these shares is determined by the Directors. | <u>9,375</u>  | <u>9,375</u>  |



**PRINGLE HOUSE LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

| <b>4. INVESTMENT PROPERTIES</b>          | <b>2001</b>  | <b>2000</b>  |
|--|--------------|--------------|
|  | <b>\$000</b> | <b>\$000</b> |
| Opening balance                          | 7,145        | 7,370        |
| Current year's revaluation (devaluation) | (265)        | (225)        |
| <b>Closing balance</b>                   | <b>6,880</b> | <b>7,145</b> |

Investment properties representing the Regional Council Centre at 142-146 Wakefield Street, Wellington were valued as at 30 June 2001 by Richard Ellis (Wellington) Limited.

| <b>5. FIXED ASSETS</b>             | <b>2001</b>  | <b>2000</b>  |
|------------------------------------|--------------|--------------|
|                                    | <b>\$000</b> | <b>\$000</b> |
| Furniture & fittings at cost       | 1,715        | 1,715        |
| Accumulated depreciation           | (1,601)      | (1,573)      |
| Net book value                     | 114          | 142          |
| Other assets at cost               | 778          | 778          |
| Accumulated depreciation           | (726)        | (713)        |
| Net book value                     | 52           | 65           |
| Total fixed assets at cost         | 2,493        | 2,493        |
| Accumulated depreciation           | (2,327)      | (2,286)      |
| <b>Fixed assets net book value</b> | <b>166</b>   | <b>207</b>   |

**6. CONTINGENT LIABILITIES**

The contingent liabilities of the company at 30 June 2001 were nil (30 June 2000: nil)

**7. CONTINGENT ASSETS**

The contingent assets of the company at 30 June 2001 were nil (30 June 2000: nil)

**PRINGLE HOUSE LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

**8. RELATED PARTY DISCLOSURES**

Approximately 84% of the building owned by the company is leased to the Wellington Regional Council on commercial terms.

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

At 30 June 2001 the company had on issue 9,375,000 Redeemable Preference Shares to its parent company, WRC Holdings Limited. These shares are redeemable at the Directors' discretion subject to one month's notice.

At 30 June 2001 the Wellington Regional Council had nil on advance to the company (30 June 2000; nil) Interest is payable on such advances, however these advances have no fixed repayment term.

At 30 June 2001 the company had advanced the Wellington Regional Council \$219,000 (30 June 2000; \$182,000) Interest is payable on such advances, these advances have no fixed repayment term.

At 30 June 2001 the company had borrowed \$1.8m (30 June 2000: \$1.8m) from WRC Holdings Limited interest free, with no fixed repayment terms.

**Director Fees:**

S A Macaskill receives a salary from the Wellington Regional Council. A E McQueen and M K Shields are entitled to a daily allowance of \$190 for attending WRC Holdings Group meetings on those days where they are not receiving an allowance for attendance at a Wellington Regional Council meeting. A M Lawson and J W Rowe each received fees of \$6,250 during the year.

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

|  | 2001         | 2000         |
|--|--------------|--------------|
|  | \$000        | \$000        |
| <b>Net surplus (deficit) after taxation</b>                          | <b>(101)</b> | <b>(68)</b>  |
| <b>Add back non cash items:</b>                                      |              |              |
| Depreciation   | 41           | 52           |
| Write down of investment properties                                  | 265          | 225          |
| <b>Add (less) movement in working capital:</b>                       |              |              |
| Increase (decrease) in creditors                                     | (169)        | 7            |
| Increase (decrease) in debtors                                       | 1            | (12)         |
| (Increase) decrease in current account - Wellington Regional Council | (37)         | (211)        |
| <b>Add (less) items classified as financing activities:</b>          |              |              |
| Decrease in WRC current account relating to financing activities     | (372)        | (390)        |
| <b>Net cash flow from operating activities</b>                       | <b>(372)</b> | <b>(397)</b> |

**PRINGLE HOUSE LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

**10. KEY PERFORMANCE TARGETS - Statement of Corporate Intent**

Key performance targets are set for the WRC Holdings Limited Group as a whole and are reported on in the WRC Holdings Limited 2001 Annual Report and Financial Statements.

**11. OPERATING COSTS**

|                        | 2001       | 2000       |
|------------------------|------------|------------|
|                        | \$000      | \$000      |
| Cleaning               | 31         | 26         |
| Insurance              | 54         | 53         |
| Miscellaneous          | 1          | 5          |
| Power                  | 111        | 183        |
| Rates                  | 140        | 141        |
| Repairs & maintenance  | 174        | 165        |
| Security               | 41         | 47         |
| <b>Operating Costs</b> | <u>552</u> | <u>620</u> |

Rental paid by tenants of the Regional Council Centre includes an amount to cover the operating costs.

**12. CAPITAL EXPENDITURE COMMITMENTS**

Estimated capital expenditure contracted for at balance date but not provided was nil (30 June 2000: nil)

**13. AUDITORS' REMUNERATION**

|  | 2001     | 2000     |
|--|----------|----------|
|  | \$000    | \$000    |
| Fees to auditors for audit of financial statements | 2        | 2        |
| Fees to auditors for other services                | -        | -        |
|  | <u>2</u> | <u>2</u> |



# Audit New Zealand

## REPORT OF THE AUDIT OFFICE TO THE READERS OF THE FINANCIAL STATEMENTS OF PRINGLE HOUSE LIMITED FOR THE YEAR ENDED 30 JUNE 2001

We have audited the financial statements on pages 5 to 13. The financial statements provide information about the past financial performance of Pringle House Limited and its financial position as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 8 to 9.

### 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 Pringle House Limited as at 30 June 2001 and the results of its operations and cash flows for the year ended 30 June 2001.

### Auditor's responsibilities

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

- ▲ the significant estimates and judgements made by the Board in the preparation of the financial statements *and*
- ▲ whether the accounting policies are appropriate to Pringle House Limited'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 Pringle House Limited.

### Unqualified opinion

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

In our opinion:

- ▲ proper accounting records have been kept by Pringle House Limited as far as appears from our examination of those records *and*
- ▲ the financial statements of Pringle House Limited on pages 5 to 13:
  - comply with generally accepted accounting practice *and*
  - give a true and fair view of:
    - the financial position as at 30 June 2001 *and*
    - the results of its operations and cash flows for the year ended on that date *and*

Our audit was completed on 18 September 2001 and our unqualified opinion is expressed as at that date.



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