

**PRINGLE HOUSE LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

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**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**

The Directors have pleasure in submitting their 2004 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 Greater Wellington Regional Council's main office located at 142 Wakefield Street, Wellington (known as the Regional Council Centre), on a cost effective basis.

<b>Results and Distributions</b>	<b>2004 \$000</b>	<b>2003 \$000</b>
Net <b>surplus</b> after tax for the financial year	<u><u>691</u></u>	<u><u>613</u></u>
Dividend distribution		<u><u>68</u></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 from any liability resulting from any act or omission in their capacity as Directors.

**Directors' Remuneration**

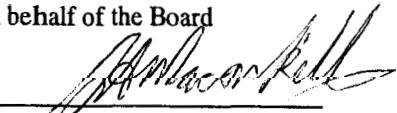
Details of Directors' remuneration are as follows:

	\$
Hon M K Shields	Nil
T J McDavitt	Nil
F R Long	Nil
S A Macaskill	4,500
A Blackburn	4,500

**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

**PRINGLE HOUSE LTD**  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$000	2003 \$000
<b>REVENUE</b>			
Rental income		1,328	1,314
Interest income		41	31
Other income		134	117
<b>TOTAL OPERATING REVENUE</b>		<b>1,503</b>	<b>1,462</b>
<b>EXPENSES</b>			
Audit fees	13	3	2
Depreciation	5	27	27
Directors fees	8	9	9
Other operating expenditure	11	1,028	934
<b>TOTAL EXPENSES</b>		<b>1,067</b>	<b>972</b>
<b>NET OPERATING SURPLUS</b>		<b>436</b>	<b>490</b>
Subvention payment	2	(470)	(422)
<b>NET SURPLUS/ (DEFICIT) BEFORE TAXATION</b>		<b>(34)</b>	<b>68</b>
Taxation expense	2		
<b>NET SURPLUS/ (DEFICIT) AFTER TAXATION</b>		<b>(34)</b>	<b>68</b>
Write up in value of investment property	4	725	545
<b>NET SURPLUS FOR THE YEAR</b>		<b>691</b>	<b>613</b>

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

	2004 \$000	2003 \$000
Net surplus for the year	691	613
Distributions to owners during the period		(68)
<b>MOVEMENTS IN EQUITY FOR THE YEAR</b>	<b>691</b>	<b>545</b>
Equity as at 1 July 2003	5,936	5,391
<b>EQUITY AS AT 30 JUNE 2004</b>	<b>6,627</b>	<b>5,936</b>

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

**PRINGLE HOUSE LTD**  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2004

	Note	2004 \$000	2003 \$000
<b>EQUITY</b>			
Ordinary share capital	3	14,666	14,666
Redeemable preference shares	3	9,375	9,375
Accumulated deficit		(17,414)	(18,105)
<b>TOTAL EQUITY</b>		<b>6,627</b>	<b>5,936</b>
<b>Represented by:</b>			
<b>CURRENT ASSETS</b>			
<b>Bank</b> and short term deposits		-	1
Receivables		12	10
Current account - Greater Wellington Regional Council	8	753	792
<b>TOTAL CURRENT ASSETS</b>		<b>765</b>	<b>803</b>
<b>NON CURRENT ASSETS</b>			
Investment properties	4	8,150	7,425
Fixed assets	5	80	106
<b>TOTAL NON CURRENT ASSETS</b>		<b>8,230</b>	<b>7,531</b>
<b>TOTAL ASSETS</b>		<b>8,995</b>	<b>8,334</b>
<b>CURRENT LIABILITIES</b>			
Payables		98	108
Dividends payable		-	68
Subvention payable		470	422
Current account - WRC Holdings Ltd	8	1,800	1,800
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,368</b>	<b>2,398</b>
<b>TOTAL LIABILITIES</b>		<b>2,368</b>	<b>2,398</b>
<b>NET ASSETS</b>		<b>6,627</b>	<b>5,936</b>

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.

**PRINGLEHOUSE LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$000	2003 \$000
<b>Cash flow from operating activities</b>			
<b>Cash was</b> applied to:			
Subvention payment to Greater Wellington Regional Council		(422)	(357)
Net cash flow from operating activities	<b>9</b>	<u>(422)</u>	<u>(357)</u>
<b>Cash flow from investing activities</b>			
Net cash flow from investing activities		<u>-</u>	<u>-</u>
<b>Cash flow from financing activities</b>			
Cash was provided from:			
Movement in current <b>account</b> - Greater Wellington Regional Council		<b>489</b>	558
<b>Cash was</b> applied to:			
Dividend <b>paid</b> to WRC Holdings Ltd		(68)	(200)
Net cash flow <b>from</b> financing activities		<u>421</u>	<u>358</u>
<b>Net increase (decrease) in cash held</b>		<b>(1)</b>	<b>1</b>
Add opening <b>cash</b> brought forward		<u>1</u>	
<b>Closing cash carried forward</b>		<u><u>1</u></u>	<u><u>1</u></u>

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

**PRINGLE HOUSE LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**1. STATEMENT OF ACCOUNTING POLICIES**

**REPORTING ENTITY**

Pringle **House** 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**, the 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) Investment Properties**

Investment properties are revalued annually to net current value based on an independent valuation. The basis **of** valuation **is** market value less the estimated costs of disposal, based on each property's highest and best use. A decrease or increase in value **is** recognised in the statement of financial performance.

Investment properties are not depreciated.

**(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 calculated 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 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.

**(f) Financial Instruments**

The Company is party to financial instruments as part **of** its normal operations. These financial instruments include bank accounts, investments, receivables and payables and are detailed in the Statement of Financial Position. Revenue and expense 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.

**(h) Changes in Accounting Policies**

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



**2. TAXATION**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
Net surplus (deficit) before taxation	(34)	68
Prima facie tax expense @ 33%	(11)	22
<b>Adjusted for permanent differences</b>		
Non-assessable income	-	-
Deferred tax movement on provisions not recognised	11	(22)
<b>Taxation expense for the year</b>		
<b>Taxation expense comprises:</b>		
Current tax		
Deferred tax		
<b>Taxation expense for the year</b>		
<b>Deferred taxation liability:</b>		
Current year charge	11	(22)
Deferred tax not recognised	(11)	22
<b>Deferred tax</b>		
<b>Imputation credit account:</b>		
Opening balance	4	4
Movement during the year		
<b>Closing balance</b>	<b>4</b>	<b>4</b>

The 2004 financial statements include provision for a subvention payment of \$470,091 (30 June 2003: \$422,478) to be made by Pringle House Ltd for utilisation of the losses of Greater Wellington Regional Council.

**Deferred taxation**

A deferred tax asset of \$0.19 million (30 June 2003: \$0.13 million) 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.

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

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Ordinary Share Capital</b>		
Authorised and issued capital 14,666,100 \$1 fully paid ordinary shares	14,666	14,666
<b>Redeemable Preference Shares</b>		
\$1 fully paid redeemable preference shares. The redemption date and dividend payable on these shares is determined by the Directors.	9,375	9,375

**PRINGLE HOUSE LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**4. INVESTMENT PROPERTIES**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
Opening balance	7,425	6,880
Current year's revaluation	725	545
<b>Investment properties</b>	<b>8,150</b>	<b>7,425</b>

The investment property is the Regional Council Centre at 142-146 Wakefield Street, Wellington. The building was valued as at 30 June 2004 by CB Richard Ellis Limited.

**5. FIXED ASSETS**

	<b>Cost</b>	<b>Accumulated</b>	<b>Net Book</b>	<b>Depreciation</b>
	<b>\$000</b>	<b>Depreciation</b>	<b>Value</b>	<b>Expense</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2004</b>				
Furniture & fittings	1,715	(1,660)	55	18
Other assets	778	(753)	25	9
<b>Total fixed assets</b>	<b>2,493</b>	<b>(2,413)</b>	<b>80</b>	<b>27</b>
<b>2003</b>				
Furniture & fittings	1,715	(1,642)	73	18
Other assets	778	(745)	33	9
<b>Total fixed assets</b>	<b>2,493</b>	<b>( 2 3 7 )</b>	<b>106</b>	<b>27</b>

**6. CONTINGENT LIABILITIES**

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

**7. CONTINGENT ASSETS**

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

## 8. RELATED PARTY DISCLOSURES

Approximately **86%** of the building owned by the company is leased to the company's ultimate shareholder, Greater Wellington Regional Council, on commercial terms.

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 had on issue **9,375,000** redeemable preference shares to its parent company, WRC Holdings Ltd. These shares are redeemable at either the Director's discretion subject to one month's notice.

At **30 June 2004** the company had advanced Greater Wellington Regional Council **\$753,000 (30 June 2003: \$792,000)**. 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.

At **30 June 2004** the company had borrowed **\$1.8 million (30 June 2003: \$1.8 million)** from WRC Holdings Ltd interest free, with **no** fixed repayment terms.

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	4,500
A Blackburn	4,500
	<u>9,000</u>

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

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

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Net surplus after taxation</b>	<b>691</b>	<b>613</b>
<b>Add back non cash items:</b>		
Depreciation	27	27
Write <b>up</b> of investment properties	(725)	(545)
<b>Add /(less) movement in working capital:</b>		
(Increase) / decrease in debtors	(2)	(1)
(Increase) /decrease in current account - Greater Wellington Regional Council	38	(336)
Increase /(decrease) in payables	(30)	311
<b>Add /(less ) items classified as financing activities:</b>		
Decrease <b>in</b> provision for dividends relating to financing activities	<b>68</b>	<b>132</b>
Decrease in Greater Wellington Regional Council current account relating to financing activities	(489)	(558)
<b>Net cash flows from operating activities</b>	<b>(422)</b>	<b>(357)</b>

**10. 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 2004 Annual Report and Financial Statements.

**11. OTHER OPERATING EXPENDITURE**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
Cleaning	40	41
Insurance	129	107
<b>Legal</b> fees	<b>1</b>	
Management fees	113	102
Miscellaneous	2	<b>1</b>
Power	164	150
Professional fees	<b>6</b>	<b>6</b>
Property management fees	55	80
Rates	138	142
Refurbishment expenditure	<b>267</b>	154
Repairs and maintenance	97	135
Security	12	11
Valuation fees	4	5
<b>Other operating expenditure</b>	<b>1,028</b>	<b>934</b>

**12. CONTRACTUAL COMMITMENTS**

Estimated contractual commitments at balance date but not provided for, was \$91,000 (30 June 2003:\$138,000).

**13. AUDITORS' REMUNERATION**

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



# Audit New Zealand

**AUDIT REPORT**  
**TO THE READERS OF**  
**PRINGLE HOUSE LTD**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

The Auditor-General is the auditor of Pringle House 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 13:
  - 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 12 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**

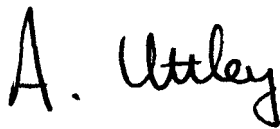
The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company **as** at 30 June 2004. They must also give a true and 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