

**PRINGLE HOUSE LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**PRINGLE HOUSE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

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**PRINGLE HOUSE LTD  
DIRECTORY**

**Directors**

I M Buchanan  
Hon M K Shields  
T J McDavitt  
F R Long  
A Blackburn  
P Blades

**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

**PRINGLE HOUSE LTD  
DIRECTORS' REPORT**

The Directors have pleasure in submitting their 2006 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>2006 \$000</b>	<b>2005 \$000</b>
Net surplus after tax for the financial year	<u>2,557</u>	<u>597</u>
Dividend distribution	<u>281</u>	<u>101</u>

**Disclosure of Interests by Directors**

I M Buchanan  
Chairperson of Greater Wellington Regional Council

Hon M K Shields  
Immediate past Chairperson and current Councillor of Greater Wellington Regional Council

T J McDavitt  
Deputy Chairperson of Greater Wellington Regional Council

F R Long  
Councillor of Greater Wellington Regional Council

A Blackburn  
None

P Blades  
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.

**PRINGLE HOUSE LTD**  
**Directors' Remuneration**

Details of Directors' remuneration are as follows:

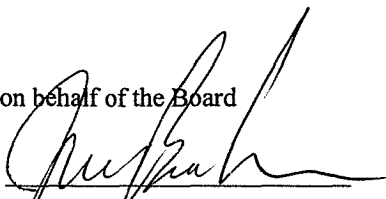
	\$
I M Buchanan	Nil
Hon M K Shields	Nil
T J McDavitt	Nil
F R Long	Nil
A Blackburn	4,500
P Blades	4,500

**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 Rudie Tomlinson of Audit New Zealand to undertake the audit.

For and on behalf of the Board

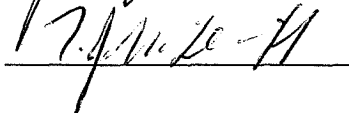
Director



Date:

26 September 2006

Director



Date:

26 September 2006

**PRINGLE HOUSE LTD**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$000	2005 \$000
<b>REVENUE</b>			
Rental income		1,390	1,367
Interest income		79	57
Other income		122	120
<b>TOTAL OPERATING REVENUE</b>		<b>1,591</b>	<b>1,544</b>
<b>EXPENSES</b>			
Audit fees	13	3	3
Depreciation	5	27	27
Directors fees	8	9	9
Other operating expenditure	11	900	927
<b>TOTAL EXPENSES</b>		<b>939</b>	<b>966</b>
<b>NET OPERATING SURPLUS</b>		<b>652</b>	<b>578</b>
Subvention payment	2	(519)	(477)
<b>NET SURPLUS / (DEFICIT) BEFORE TAXATION</b>		<b>133</b>	<b>101</b>
Taxation expense	2	(148)	-
<b>NET SURPLUS / (DEFICIT) AFTER TAXATION</b>		<b>281</b>	<b>101</b>
Write up in value of investment property	4	3,174	496
Deferred tax on property revaluation	2	(898)	-
<b>NET SURPLUS FOR THE YEAR</b>		<b>2,557</b>	<b>597</b>

**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006 \$000	2005 \$000
Net surplus for the year	2,557	597
Distributions to owners during the period	(281)	(101)
<b>MOVEMENTS IN EQUITY FOR THE YEAR</b>	<b>2,276</b>	<b>496</b>
Equity as at 1 July 2005	7,123	6,627
<b>EQUITY AS AT 30 JUNE 2006</b>	<b>9,399</b>	<b>7,123</b>

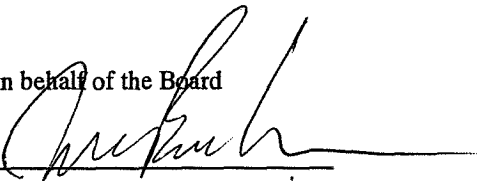
The accompanying notes and accounting policies form part of these financial statements.

**PRINGLE HOUSE LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2006**

	Note	2006 \$000	2005 \$000
<b>EQUITY</b>			
Ordinary share capital	3	14,666	14,666
Redeemable preference shares	3	9,375	9,375
Accumulated deficit		(14,642)	(16,918)
<b>TOTAL EQUITY</b>		<b>9,399</b>	<b>7,123</b>
<b>Represented by:</b>			
<b>CURRENT ASSETS</b>			
Bank and short term deposits		1	-
Receivables		10	17
Current account - Greater Wellington Regional Council	8	941	836
<b>TOTAL CURRENT ASSETS</b>		<b>952</b>	<b>853</b>
<b>NON CURRENT ASSETS</b>			
Investment properties	4	11,820	8,646
Fixed assets	5	36	53
<b>TOTAL NON CURRENT ASSETS</b>		<b>11,856</b>	<b>8,699</b>
<b>TOTAL ASSETS</b>		<b>12,808</b>	<b>9,552</b>
<b>CURRENT LIABILITIES</b>			
Payables		59	56
Dividends payable		281	101
Subvention payable		519	472
Current account - WRC Holdings Ltd	8	1,800	1,800
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,659</b>	<b>2,429</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation liability	2	750	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>750</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>3,409</b>	<b>2,429</b>
<b>NET ASSETS</b>		<b>9,399</b>	<b>7,123</b>

For and on behalf of the Board

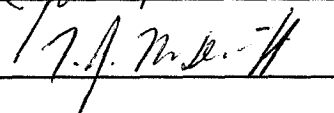
Director



Date:

26 September 2006

Director



Date:

26 September 2006

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

**PRINGLE HOUSE LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$000	2005 \$000
<b>Cash flow from operating activities</b>			
Cash was applied to:			
Subvention payment to Greater Wellington Regional Council		-	(475)
Net cash flow from operating activities		<u>-</u>	<u>(475)</u>
<b>Cash flow from investing activities</b>			
Purchase of Fixed Assets	9	(10)	
Net cash flow from investing activities		<u>(10)</u>	-
<b>Cash flow from financing activities</b>			
Cash was provided from:			
Movement in current account - Greater Wellington Regional Council		111	475
Cash was applied to:			
Dividend paid to WRC Holdings Ltd		(101)	-
Net cash flow from financing activities		<u>10</u>	<u>475</u>
Net increase (decrease) in cash held		-	-
Add opening cash brought forward		1	-
Closing cash carried forward		<u>1</u>	<u>-</u>

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



## **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 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 straight line 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**

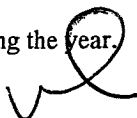
The Company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, receivables and payables and are detailed in the Statement of Financial Position. Revenue and expense in relation to financial instruments are recognised in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



**PRINGLE HOUSE LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**2. TAXATION**

	2006	2005
	\$000	\$000
Net surplus (deficit) before taxation	<u>133</u>	<u>101</u>
Prima facie tax expense @ 33%	44	33
<b>Adjusted for permanent differences</b>		
Non-assessable income	-	-
Deferred tax movement on provisions not recognised	<u>(192)</u>	<u>(33)</u>
<b>Taxation expense for the year</b>	<u>(148)</u>	<u>-</u>
<b>Taxation expense comprises:</b>		
Current tax	-	-
Deferred tax	<u>(148)</u>	<u>-</u>
<b>Taxation expense for the year</b>	<u>(148)</u>	<u>-</u>
<b>Deferred taxation liability:</b>		
Current year charge	(44)	33
Deferred tax not recognised previously	192	(33)
Deferred tax on property revaluation	<u>(898)</u>	<u>-</u>
<b>Deferred tax</b>	<u>(750)</u>	<u>-</u>
<b>Imputation credit account:</b>		
Opening balance	4	4
Movement during the year	<u>(4)</u>	<u>-</u>
<b>Closing balance</b>	<u>-</u>	<u>4</u>

The 2006 financial statements include provision for a subvention payment of \$519,257 (30 June 2005: \$476,834) to be made by Pringle House Ltd for utilisation of the losses of Greater Wellington Regional Council.

**Deferred taxation**

Deferred taxation has been provided for in the 2006 financial statements fully. There is no unrecognised deferred tax asset (30 June 2005: \$0.19 million).

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

	2006	2005
	\$000	\$000
<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. The redemption date and dividend payable on these shares is determined by the Directors.	<u>9,375</u>	<u>9,375</u>

**PRINGLE HOUSE LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**4. INVESTMENT PROPERTIES**

	2006	2005
	\$000	\$000
Opening balance	8,646	8,150
Current year's revaluation	3,174	496
<b>Investment properties</b>	<b>11,820</b>	<b>8,646</b>

The investment property is the Regional Council Centre at 142-146 Wakefield Street, Wellington. On 30 June 2006, CB Richard Ellis Limited valued the building.

**5. FIXED ASSETS**

	Cost	Accumulated Depreciation	Net Book Value	Depreciation Expense
	\$000	\$000	\$000	\$000
<b>2006</b>				
Furniture & fittings	1,715	(1,696)	19	18
Other assets	788	(771)	17	9
<b>Total fixed assets</b>	<b>2,503</b>	<b>(2,467)</b>	<b>36</b>	<b>27</b>
<b>2005</b>				
Furniture & fittings	1,715	(1,678)	37	18
Other assets	778	(762)	16	9
<b>Total fixed assets</b>	<b>2,493</b>	<b>(2,440)</b>	<b>53</b>	<b>27</b>

**6. CONTINGENT LIABILITIES**

The contingent liabilities of the company at 30 June 2006 were nil (30 June 2005: nil)

**7. CONTINGENT ASSETS**

The contingent assets of the company at 30 June 2006 were nil (30 June 2005: 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 2006, 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 2006, the company had advanced Greater Wellington Regional Council \$941,000 (30 June 2005: \$836,000). The interest rate charged on the advance as at 30 June 2006 was 7.41% p.a. (30 June 2005 6.96%). The advance does not have any fixed repayment term.

At 30 June 2006, the company had borrowed \$1.8 million (30 June 2005: \$1.8 million) from WRC Holdings Ltd interest free, with no fixed repayment terms. However, WRC Holdings Ltd may draw down the loan at any time. As such the loan is considered current and repayable within 12 months.

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

**Directors fees:**

The Hon M K Shields, Messrs I M Buchanan, T J McDavitt and F R Long, received a salary from Greater Wellington Regional Council in accordance with the Local Government Elected Members Determination of 2005 and any out-of-pocket expenses incurred as set in Greater Wellington Regional Council's policy on elected members' allowances and expenses.

Other Directors' remuneration paid during the year

A Blackburn  
P Blades

	\$
	4,500
	<u>4,500</u>
	<u>9,000</u>

**PRINGLE HOUSE LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

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

	2006 \$000	2005 \$000
<b>Net surplus after taxation</b>	<b>2,557</b>	<b>597</b>
<b>Add back non cash items:</b>		
Depreciation	27	27
Write up of investment properties	(3,174)	(496)
Deferred taxation liability	750	-
<b>Add /(less) movement in working capital:</b>		
(Increase) / decrease in debtors	6	(5)
(Increase) /decrease in current account - Greater Wellington Regional Council	(105)	(83)
Increase /(decrease) in payables	230	61
<b>Add /(less ) items classified as financing activities:</b>		
Decrease in provision for dividends relating to financing activities	(180)	(101)
Decrease in Greater Wellington Regional Council current account relating to financing activities	(111)	(475)
<b>Net cash flows from operating activities</b>	<b>-</b>	<b>(475)</b>

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

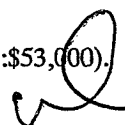
Key performance targets are set for the WRC Holdings Group as a whole and are reported on in the WRC Holdings Ltd 2006 Annual Report and Financial Statements.

**11. OTHER OPERATING EXPENDITURE**

	2006 \$000	2005 \$000
Cleaning	41	41
Insurance	137	144
Legal fees	-	1
Management fees	116	114
Miscellaneous	2	2
Power	157	146
Professional fees	9	9
Property management fees	86	75
Rates	161	135
Refurbishment expenditure	59	139
New developments - Rail and Masterton office (includes legal fees)	26	-
Repairs and maintenance	95	99
Security	9	11
Valuation fees	2	11
<b>Other operating expenditure</b>	<b>900</b>	<b>927</b>

**12. CONTRACTUAL COMMITMENTS**

Estimated contractual commitments at balance date but not provided for, was \$7,000 (30 June 2005:\$53,000).



**PRINGLE HOUSE LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**13. AUDITORS' REMUNERATION**

	2006 \$000	2005 \$000
Audit New Zealand - audit services	3	2
	<u>3</u>	<u>3</u>

**PRINGLE HOUSE LTD**  
**STATEMENT OF COMPLIANCE AND RESPONSIBILITY**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Compliance**

The Directors and management of Pringle House Limited confirm that all the statutory requirements of the Local Government Act 2002 in relation to the financial report have been complied with.

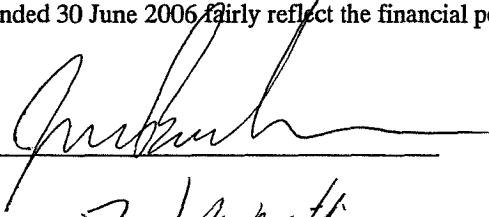
**Responsibility**

The Directors and management of Pringle House Limited accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

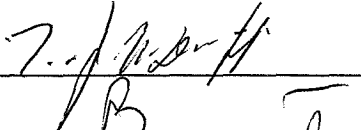
The Directors and management of Pringle House Limited accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Directors and management of Pringle House Limited, the annual Financial Statements for the year ended 30 June 2006 fairly reflect the financial position and operations of Pringle House Limited.

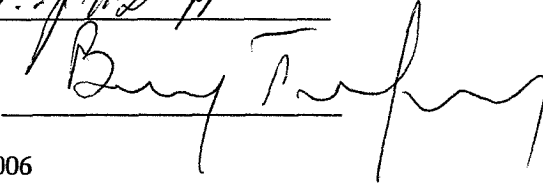
Director



Director



Chief Financial Officer



Dated: 26 September 2006

**AUDIT REPORT**  
**TO THE READERS OF**  
**PRINGLE HOUSE LIMITED'S**  
**FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2006**

The Auditor-General is the auditor of Pringle House Limited (the company). The Auditor-General has appointed me, Rudie Tomlinson, 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 2006.

**Unqualified opinion**

In our opinion:

- 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 2006; and
    - the results of its operations and cash flows for the year ended on that date.
- 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 2006.
- Based on our examination the company kept proper accounting records.

The audit was completed on 26 September 2006 and is the date at which our opinion is expressed.

The basis of our 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 the 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 our opinion.

The 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:

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

### **Responsibilities of the Board of Directors and the Auditor**

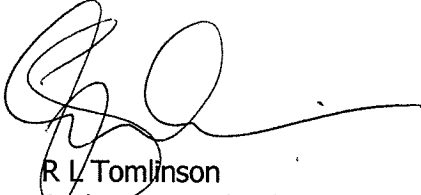
The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company as at 30 June 2006. They must also give a true and fair 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 2006. 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.

A handwritten signature in black ink, appearing to be 'R. L. Tomlinson', with a long horizontal line extending to the right.

R. L. Tomlinson  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand