

PRINGLE HOUSE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

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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

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**PRINGLE HOUSE LIMITED
DIRECTORS' REPORT**

The Directors have pleasure in submitting their **1999** Annual Report and Financial Statements.

Principal Activities

The company's principal activities during the year 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.

Results and Distributions

| | 1999 | 1998 |
|--|--------------|----------------|
| | \$000 | \$000 |
| Net surplus (deficit) after tax for the financial year | <u>(162)</u> | <u>(1,307)</u> |
| Dividend distribution | <u>-</u> | <u>-</u> |

Directors

The Hon M K Shields was made a director on 17 June 1999 in her capacity as Deputy Chair of the Wellington Regional Council.

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

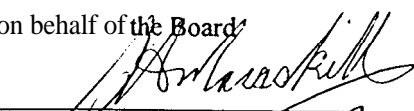
The company's parent company, WRC Holdings Limited, has arranged insurance to indemnify the Directors against any liability resulting **from** any act or omission in their capacity as Directors.

Directors' Remuneration

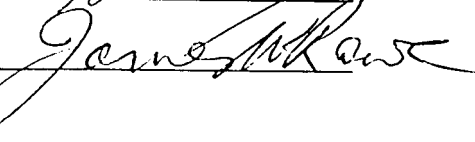
Details of Directors' remuneration are as follows:

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

For and on behalf of the Board

Director 

Date: 29/9/99

Director 

Date: 29/09/99

PRINGLE HOUSE LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 1999

| | Note | 1999 \$000 | 1998 \$000 |
|--|------|---------------------|-----------------------|
| REVENUE | | | |
| Rents income | | 1,199 | 1,168 |
| Interest income | | 6 | 365 |
| Other Income | | 181 | 1 |
| TOTAL OPERATING REVENUE | | <u>1,386</u> | <u>1,534</u> |
| EXPENSES | | | |
| Audit fees | 13 | 2 | 2 |
| Depreciation | | 66 | 82 |
| Legal fees | | 4 | 3 |
| Maintenance | | 122 | 145 |
| Management fees | | 63 | 62 |
| Other expenses | | 3 | 13 |
| Professional fees | | 6 | 14 |
| Tenancy costs | 11 | 455 | 452 |
| Write down in value of investment properties | 4 | 430 | 1,449 |
| TOTAL EXPENSES | | <u>1,151</u> | <u>2,222</u> |
| NET OPERATING SURPLUS | | 235 | (688) |
| Subvention payment | 2 | 397 | 619 |
| NET SURPLUS (DEFICIT) BEFORE TAXATION | | <u>(162)</u> | <u>(1,307)</u> |
| Taxation expense | 2 | | |
| NET SURPLUS (DEFICIT) FOR THE YEAR | | <u><u>(162)</u></u> | <u><u>(1,307)</u></u> |

PRINGLE HOUSE LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 1999

| | Note | 1999 \$000 | 1998 \$000 |
|---|------|---------------------|---------------------|
| EQUITY AT START OF THE YEAR | | 5,741 | 7,048 |
| Net surplus (deficit) for the year | | <u>(162)</u> | <u>(1,307)</u> |
| Total recognised revenues and expenses for the year | | <u>(162)</u> | <u>(1,307)</u> |
| EQUITY AT END OF THE YEAR | | <u><u>5,579</u></u> | <u><u>5,741</u></u> |

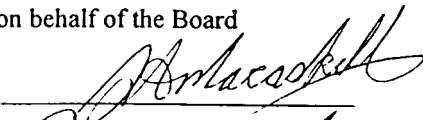
The accompanying notes and accounting policies form part of these financial statements.

PRINGLE HOUSE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 1999

| | Note | 1999 \$000 | 1998 \$000 |
|---|------|---------------|---------------|
| EQUITY | | | |
| Ordinary share capital | 3 | 14,666 | 14,666 |
| Redeemable preference shares | 3 | 9,375 | 9,375 |
| Accumulated deficit | | (18,462) | (18,300) |
| TOTAL EQUITY | | 5,579 | 5,741 |
| Represented by: | | | |
| NON CURRENT ASSETS | | | |
| Investment properties | 4 | 7,370 | 7,800 |
| Fixed assets | 5 | 259 | 326 |
| TOTAL NON CURRENT ASSETS | | 7,629 | 8,126 |
| CURRENT ASSETS | | | |
| Bank & short term deposits | | 8 | 7 |
| TOTAL CURRENT ASSETS | | 8 | 7 |
| TOTAL ASSETS | | 7,637 | 8,133 |
| CURRENT LIABILITIES | | | |
| Creditors | | 124 | 35 |
| Current account - Wellington Regional Council | | 29 | 187 |
| Current account - WRC Holdings Limited | | 1,800 | 1,800 |
| Provision for maintenance | | 105 | 370 |
| TOTAL CURRENT LIABILITIES | | 2,058 | 2,392 |
| NET ASSETS | | 5,579 | 5,741 |

For and on behalf of the Board

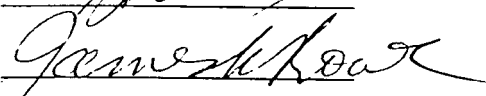
Director



Date:

29/9/99

Director



Date:

29/09/99

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 1999

| | 1999 | 1998 |
|--|---------|---------|
| Note | \$000 | \$000 |
| Cash flow from operating activities | | |
| Cash was provided from: | | |
| Other Income | 180 | |
| Cash was applied to: | | |
| Subvention payment to Wellington Regional Council | (619) | (372) |
| Net cash flows from operating activities | 9 (439) | (372) |
| Cash flow from financing activities | | |
| Cash was provided from: | | |
| Part repayment of loan from Wellington Regional Council | | 4,540 |
| Movement in current account -Wellington Regional Council | 440 | 372 |
| Cash was applied to: | | |
| Payment of loan to WRC Holdings Ltd | - | (4,513) |
| Movement in current account -Port Investments Ltd | | (45) |
| Net cash flow from financing activities | 440 | 354 |
| Net increase (decrease) in cash held | 1 | (18) |
| Add opening cash brought forward | 7 | 25 |
| Closing cash carried forward | 8 | 7 |

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



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PRINGLE HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

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.

REVENUE RECOGNITION

Rental income is recognised when it is received and interest income is recognised as it is earned.

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 investment property revaluation reserve. Where this results in a debit balance in the reserve, this balance is expensed in 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.

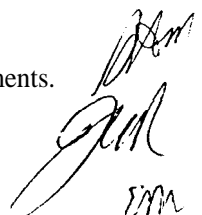
Deferred taxation is accounted for using the liability method on a comprehensive basis in respect of those timing differences expected to reverse in the foreseeable future. A deferred tax benefit relating to tax losses is only recognised if there is virtual certainty of realisation.

(e) 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.

CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies from those adopted in the last audited financial statements.



PRINGLE HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

| | 1999 \$000 | 1998 \$000 |
|--|---------------|----------------|
| 2. TAXATION | | |
| Net surplus (deficit) before taxation | <u>(162)</u> | <u>(1,307)</u> |
| Prima facie tax expense @ 33% | (53) | (431) |
| Adjusted for permanent differences | | |
| Non-deductible expenditure | 143 | 478 |
| Non-assessable income | (60) | |
| Deferred tax movement on provisions not recognised | (46) | - |
| Additional tax depreciation | 16 | (47) |
| Taxation expense | <u>-</u> | <u>-</u> |

A subvention payment of \$6 18,687 was made by Pringle House Limited to Wellington Regional Council in relation to an amount accrued in the 1998 year.

The financial statements accrue a subvention payment of **\$397,441** for utilisation by Pringle House Limited of losses incurred by the Wellington Regional Council in the 1999 year.

Deferred Taxation

A deferred tax asset of **\$0.05m** (1998 liability of **\$0.02m**) has not been recognised on timing differences arising from the difference between accounting and tax depreciation on the basis that it is not anticipated that the building will be sold in the foreseeable future. In addition future tax benefits of **\$0.08m** (1998 **\$0.12m**) attributable to the provision for maintenance have not been recognised.

| Imputation Credit Account | 1999 \$000 | 1998 \$000 |
|----------------------------------|---------------|---------------|
| Opening balance | 5 | 5 |
| Prior Year Adjustment | (1) | - |
| Payments | | |
| Closing balance | <u>4</u> | <u>5</u> |

3. SHARE CAPITAL & REDEEMABLE PREFERENCE SHARES

| | 1999 \$ | 1998 \$ |
|---|-------------------|-------------------|
| Ordinary Share Capital | | |
| Authorised and issued Capital 14,666,100 \$1 fully paid ordinary shares | <u>14,666,100</u> | <u>14,666,100</u> |
| Redeemable Preference Shares | | |
| \$1 fully paid redeemable preference shares. Redemption date and dividend payable on these shares is determined by the Directors. | <u>9375,000</u> | <u>9,375,000</u> |

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PRINGLE HOUSE LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 1999

4. INVESTMENT PROPERTIES

| | 1999 | 1998 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Opening balance | 7,800 | 9,249 |
| Current year's revaluation (devaluation) | (430) | (1,449) |
| Closing balance | <u>7,370</u> | <u>7,800</u> |

Investment properties representing the Regional Council Centre at 142-146 Wakefield Street, Wellington were valued as at 30 June 1999 by Richard Ellis (Wellington) Limited.

5. FIXED ASSETS

| | 1999 | 1998 |
|------------------------------------|-------------------|-------------------|
| | \$000 | \$000 |
| Furniture & fittings at cost | 1,715 | 1,715 |
| Accumulated depreciation | (1,538) | (1,493) |
| Net book value | <u>177</u> | <u>222</u> |
| Other assets at cost | 778 | 778 |
| Accumulated depreciation | (696) | (674) |
| Net book value | <u>82</u> | <u>104</u> |
| Total fixed assets at cost | 2,493 | 2,493 |
| Accumulated depreciation | (2,234) | (2,167) |
| Fixed assets net book value | <u><u>259</u></u> | <u><u>326</u></u> |

6. CONTINGENT LIABILITIES

The contingent liabilities of the company at 30 June 1999 were nil (30 June 1998: nil)

7. CONTINGENT ASSET

Claims laid by the Group against contractors in relation to building specifications which were not complied with during construction have been settled during the 1998/99 year. The value of this settlement was \$180,000.

PRINGLE HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

8. RELATED PARTY DISCLOSURES

Approximately seven-ninths 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 1999 the company had on issue **9,375,000** Redeemable Preference Shares to its parent company, WRC Holdings Limited. These shares are redeemable at Directors discretion subject to one month's notice.

The Wellington Regional Council has on advance to the company \$29,000 on which interest is payable, the advance has no fixed repayment term.

The company borrowed **\$1.8m** (1998: **\$1.8m**) from WRC Holdings Limited interest free, with no **fixed** repayment terms.

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 \$180 for attending WRC Holdings Group meetings on those days where they are not receiving an allowance for attendance at a Wellington Regional Council meeting. During **1998/99** A M Lawson and J W Rowe were also entitled to a daily allowance of \$180 for attending WRC Holdings Group meetings. Such meeting fees are paid for by WRC Holdings Limited.

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

| | 1999 \$000 | 1998 \$000 |
|---|---------------|----------------|
| Net surplus (deficit) after taxation | (162) | (1,307) |
| Add back non cash items: | | |
| Depreciation | 66 | 82 |
| Write down of buildings | 430 | 1,449 |
| Add (less) movement in working capital: | | |
| Increase (decrease) in creditors | (176) | 12 |
| Increase (decrease) in current account - WRC Holdings Limited | | (4,513) |
| Increase (decrease) in current account - Port Investments Limited | | (45) |
| (Increase) decrease in current account - Wellington Regional Council | (158) | 4,303 |
| Add (less) items classified as financing activities: | | |
| Decrease in WRCH Ltd current account relating to financing activities | | 4,513 |
| Decrease in PIL current account relating to financing activities | | 45 |
| Decrease in WRC current account relating to financing activities | (439) | (4,911) |
| Net cash flow from operating activities | (439) | (372) |



PRINGLE HOUSE LIMITED
NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 1999

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 1999 Annual Report and Financial Statements.

11. TENANCY COSTS

| | 1999 \$000 | 1998 \$000 |
|-----------------------|---------------|---------------|
| Air conditioning | 20 | 16 |
| Answer services | 4 | 5 |
| Cleaning | 26 | 20 |
| Elevator | | 24 |
| Insurance | 61 | 63 |
| Management fees | 51 | 55 |
| Miscellaneous | 2 | 2 |
| Power | 62 | 41 |
| Rates | 169 | 166 |
| Repairs & maintenance | 35 | 37 |
| Security | 25 | 23 |
| Tenancy costs | 455 | 452 |

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

12. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided was nil (30 June 1998: nil)

13. AUDITORS' REMUNERATION

| | 1999 \$000 | 1998 \$000 |
|--|---------------|---------------|
| Fees to auditors for audit of financial statements | 2 | 2 |
| Fees to auditors for other services | - | |
| | 2 | 2 |



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 1999

We have audited the financial statements and performance information on pages 5 to 12. The financial statements, provide information about the past financial performance of Pringle House Limited and its financial position as at 30 June 1999. This information is stated in accordance with the accounting policies set out on page 8.

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 1999 and the results of its operations and cash flows for the year ended 30 June 1999.

Auditor's responsibilities

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

- ▲ the significant estimates and judgements made by the Board in the preparation of the financial statements and performance information *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 12:
 - comply with generally accepted accounting practice *and*
 - give a true and fair view of:
 - the financial position as at 30 June 1999 *and*
 - the results of its operations and cash flows for the year ended on that date

Our audit was completed on 29 September 1999 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

