

**PRINGLE HOUSE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

<u>Contents</u>	<u>Page</u>
Directory	2
Directors' Report	3
Statement of Financial Performance	5
Statement of Movements in Equity	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Audit Report	13

**PRINGLE HOUSE LIMITED
DIRECTORY**

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

The National Bank of New Zealand Limited

**PRINGLE HOUSE LIMITED
DIRECTORS' REPORT**

The Directors have pleasure in submitting their 2003 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.

Results and Distributions	2003	2002
	\$000	\$000
Net surplus (deficit) after tax for the financial year	<u>613</u>	181
Dividend distribution	<u>68</u>	<u>200</u>

Directors

Disclosure of Interests by Directors

Hon M K Shields
Chairperson of the Wellington Regional Council

T J McDavitt
Deputy Chairperson of the Wellington Regional Council

F R Long
Councillor of the Wellington Regional Council

S A Macaskill
Former Chairperson of the 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 Limited, has arranged insurance to indemnify the Directors against any liability resulting from any act or omission in their capacity as Directors.

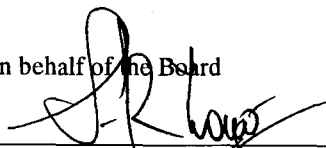
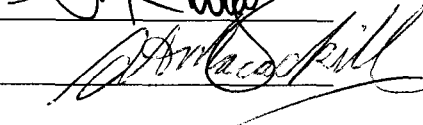
Directors' Remuneration

Details of Directors' remuneration are as follows:

	£
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 continues in office in accordance with Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. 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 A Shaw of Audit New Zealand to undertake the audit.

For and on behalf of the Board
Director  Date: 30 September 2003
Director  Date: 30 September 2003



PRINGLE HOUSE LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$000	2002 \$000
REVENUE			
Rental income		1,314	1,296
Interest income		31	29
Other income		117	101
Write up of investment property	4	545	
TOTAL OPERATING REVENUE		<u>2,007</u>	<u>1,426</u>
EXPENSES			
Audit fees	13	2	2
Depreciation	5	27	33
Directors fees	8	9	14
Management fees		102	93
Professional fees		6	6
Other operating costs	11	826	740
TOTAL EXPENSES		<u>972</u>	<u>888</u>
NET OPERATING SURPLUS		1,035	538
Subvention payment	2	(422)	(357)
NET SURPLUS / (DEFICIT) BEFORE TAXATION		<u>613</u>	<u>181</u>
Taxation expense	2	-	-
NET SURPLUS / (DEFICIT) FOR THE YEAR		<u><u>613</u></u>	<u><u>181</u></u>

PRINGLE HOUSE LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003

	2003 \$000	2002 \$000
Net surplus / (deficit) for the year	613	181
Distributions to owners during the period	(68)	(200)
MOVEMENTS IN EQUITY FOR THE YEAR	<u>545</u>	<u>(19)</u>
Equity as at 1 July 2002	5,391	5,410
EQUITY AS AT 30 JUNE 2003	<u><u>5,936</u></u>	<u><u>5,391</u></u>

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

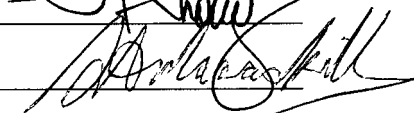
PRINGLE HOUSE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Note	2003 \$000	2002 \$000
EQUITY			
Ordinary share capital	3	14,666	14,666
Redeemable preference shares	3	9,375	9,375
Accumulated deficit		(18,105)	(18,650)
TOTAL EQUITY		<u>5,936</u>	<u>5,391</u>
 Represented by:			
CURRENT ASSETS			
Bank and short term deposits		1	
Receivables		10	9
Current account - Wellington Regional Council	8	792	456
TOTAL CURRENT ASSETS		<u>803</u>	<u>465</u>
 NON CURRENT ASSETS			
Investment properties	4	7,425	6,880
Fixed assets	5	106	133
TOTAL NON CURRENT ASSETS		<u>7,531</u>	<u>7,013</u>
TOTAL ASSETS		<u>8,334</u>	<u>7,478</u>
 CURRENT LIABILITIES			
Payables		108	87
Dividends payable		68	200
Subvention payable		422	
TOTAL CURRENT LIABILITIES		<u>598</u>	<u>287</u>
 NON CURRENT LIABILITIES			
Current account - WRC Holdings Limited	8	1,800	1,800
TOTAL NON CURRENT LIABILITIES		<u>1,800</u>	<u>1,800</u>
TOTAL LIABILITIES		<u>2,398</u>	<u>2,087</u>
NET ASSETS		<u>5,936</u>	<u>5,391</u>

For and on behalf of the Board

Director 

Date: 30 September 2003

Director 

Date: 30 September 2003

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 2003

	Note	2003 \$000	2002 \$000
Cash flow from operating activities			
Cash was applied to:			
Subvention payment to Wellington Regional Council		(357)	(506)
Net cash flow from operating activities	9	<u>(357)</u>	<u>(506)</u>
Cash flow from investing activities			
Net cash flow from investing activities		<u> </u>	<u> </u>
Cash flow from financing activities			
Cash was provided from:			
Movement in current account - Wellington Regional Council		558	505
Cash was applied to:			
Dividend paid to WRC Holdings Limited		(200)	
Net cash flow from financing activities		<u>358</u>	<u>505</u>
Net increase (decrease) in cash held		<u>1</u>	<u>(1)</u>
Add opening cash brought forward			<u>1</u>
Closing cash carried forward		<u><u>1</u></u>	<u><u>-</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 2003

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 council controlled trading organisation as defined in S6 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 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 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.

Furniture & fittings	5 years
Other assets	5 years

(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 LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2003

2. TAXATION	2003	2002
	\$000	\$000
Net surplus (deficit) before taxation	<u>613</u>	<u>181</u>
Prima facie tax expense @ 33%	202	60
Adjusted for permanent differences		
Non-deductible expenditure		
Non-assessable income	(43)	
Deferred tax movement on provisions not recognised	<u>(159)</u>	<u>(60)</u>
Taxation expense		

The 2003 financial statements include provision for a subvention payment of \$422,478 (30 June 2002: \$356,810) to be made by Pringle House Limited for utilisation of the losses of the Wellington Regional Council.

Deferred Taxation

A deferred tax asset of \$0.49m (30 June 2002: \$0.65m) 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.

Imputation Credit Account	2003	2002
	\$000	\$000
Opening balance	4	4
Movement during the year		
Closing balance	<u>4</u>	<u>4</u>

3. SHARE CAPITAL AND REDEEMABLE PREFERENCE SHARES

	2003	2002
	\$000	\$000
Ordinary Share Capital		
Authorised and issued capital 14,666,100 \$1 fully paid ordinary shares	<u>14,666</u>	<u>14,666</u>
Redeemable Preference Shares		
\$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 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

4. INVESTMENT PROPERTIES

	2003	2002
	\$000	\$000
Opening balance	6,880	6,880
Current year's revaluation (devaluation)	545	
Closing balance	7,425	6,880

Investment properties representing the Regional Council Centre at 142-146 Wakefield Street, Wellington were valued as at 30 June 2003 by CB Richard Ellis Limited.

5. FIXED ASSETS

2003	Cost	Accumulated	Net Book	Depreciation
	\$000	Depreciation	Value	Expense
	\$000	\$000	\$000	\$000
Furniture & fittings	1,715	(1,642)	73	18
Other assets	778	(745)	33	9
Total fixed assets	2,493	(2,387)	106	27

2002	Cost	Accumulated	Net Book	Depreciation
	\$000	Depreciation	Value	Expense
	\$000	\$000	\$000	\$000
Furniture & fittings	1,715	(1,624)	91	23
Other assets	778	(736)	42	10
Total fixed assets	2,493	(2,360)	133	33

6. CONTINGENT LIABILITIES

The contingent liabilities of the Company at 30 June 2003 were nil (30 June 2002: nil)

7. CONTINGENT ASSETS

The contingent assets of the Company at 30 June 2003 were nil (30 June 2002: nil)

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 2003 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 2003 the Company had advanced the Wellington Regional Council \$792,000 (30 June 2002: \$456,000). Interest is payable on such advances, these advances have no fixed repayment term.

At 30 June 2003 the Company had borrowed \$1.8m (30 June 2002: \$1.8m) from WRC Holdings Limited 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 received a salary from the Wellington Regional Council.

Messrs T J McDavitt and F R Long were entitled to a daily allowance of \$195 for attending WRC Holdings Group meetings on those days where they are not receiving an allowance for attendance at a Wellington Regional Council meeting.

Other Directors' remuneration paid during the year

	\$
S A Macaskill	4,500
A Blackburn	4,500
	<u>9,000</u>

PRINGLE HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

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

	2003 \$000	2002 \$000
Net surplus /(deficit) after taxation	613	181
Add back non cash items:		
Depreciation	27	33
Write up of investment properties	(545)	
Add /(less) movement in working capital:		
(Increase) /decrease in debtors	(1)	
(Increase) /decrease in current account - Wellington Regional Council	(336)	(237;
Increase /(decrease) in payables	311	220
Add /(less) items classified as financing activities:		
Decrease / (Increase) in provision for dividends relating to financing activities	132	(200)
Decrease in WRC current account relating to financing activities	(558)	(505)
Net cash flows from operating activities	(357)	(506)

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 2003 Annual Report and Financial Statements.

11. OTHER OPERATING COSTS

	2003 \$000	2002 \$000
Cleaning	41	41
Insurance	107	57
Miscellaneous	1	2
Power	150	134
Property management fees	80	71
Rates	142	144
Refurbishment expenditure	134	135
Level 8 reorganisation	20	
Repairs and maintenance	135	130
Security	11	19
Valuation fees	5	7
Other operating costs	826	740

12. CONTRACTUAL COMMITMENTS

Estimated contractual commitments at balance date but not provided for, was \$138,000 (30 June 2002: nil).

13. AUDITORS' REMUNERATION

	2003 \$000	2002 \$000
Audit New Zealand - audit services	2	2
Audit New Zealand - other services		
	<u>2</u>	<u>2</u>



**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL STATEMENTS OF
PRINGLE HOUSE LIMITED
FOR THE YEAR ENDED 30 JUNE 2003**

We have audited the financial statements 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 2003. The performance information specifies the performance targets and other measures by which the performance of Pringle House Limited can be judged in relation to its objectives. This information is stated in accordance with the accounting policies set out on page 8.

Responsibilities of the Board of Directors

Section 276 of the Local Government Act 2002 requires the Board of Directors (the Board) to comply with sections 594Z to 594ZC of the Local Government Act 1974 for the year ended 30 June 2003. Section 5942 and the Financial Reporting Act 1993 require the Board to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of Pringle House Limited as at 30 June 2003 and the results of its operations and cash flows for the year ended on that date. Section 5942 also requires the Board to report the performance targets and other measures by which the performance of Pringle House Limited can be judged in relation to their objectives.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Section 594ZC of the Local Government Act 1974 require the Auditor-General to audit the financial statements and the performance information presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and the performance information and report that opinion to you.

The Auditor-General has appointed A J Shaw, 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 the Auditing Standards published by the Auditor-General, which incorporate 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 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;
- ▲ the financial statements of Pringle House Limited on pages 5 to 12:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - Pringle House Limited's financial position as at 30 June 2003; and
 - the results of its operations and cash flows for the year ended on that date;
- ▲ the performance information of Pringle House Limited on page 12 gives a true and fair view of the achievements in relation to the performance targets and other measures adopted for the year ended 30 June 2003.

Our audit was completed on 30 September 2003 and our unqualified opinion is expressed as at that date.



A J Shaw
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

