Wanganui District Council Holdings Limited

Annual Report

For the year ended 30 June 2014

Contents

Directory

Registered office	Wanganui District Council 101 Guyton Street Wanganui Telephone (06) 349 0001 Fax (06) 349 0000 email wdc@wanganui.govt.nz
Postal address	PO Box 637 Wanganui
Directors	Matthew Doyle (Chairman) Matthew Edmonds (resigned February 2014) Michael Eden (resigned February 2014) Annette Main Rob Vinsen Harvey Green Peter Hazledine
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Wanganui
Solicitors	Kensington Swan
Shareholding as at 30 June 2014	Wanganui District Council 100%

Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2014. The Company was incorporated on 12 March 2002.

Activities

The Company's principal activity is that of investments. The Company owns 100% of the share capital of Wanganui Gas Limited.

The Company also owns 100% of the share capital of Whanganui Port Limited. Since incorporation in March 213 there have been no transactions within Whanganui Port Limited.

Results

The Directors report a parent tax paid profit of $7,477,000 for the year ended 30 June 2014. Equity at the end of the year was $8,659,000.

Dividends

Dividends of $2,329,988 were paid during the year (2013: nil).

Directors and their remuneration

Directors fees paid during the year were as follows:

Matthew Doyle (Chairman)	$12,500
Matthew Edmonds (resigned February 2014)	$12,500
Michael Eden (resigned February 2014)	$12,500
Annette Main	nil
Rob Vinsen	$10,000
Harvey Green	nil
Peter Hazledine	nil

Directors' and officers' insurance

Pursuant to Sections 162(3) and 162(4) of the Companies Act 1993 and the Company's constitution, Wanganui District Council Holdings Limited has affected liability insurance cover for Directors and Officers up to $2 million. The Company has paid 100% of the premium for this cover.

Shareholding by directors

No Directors held Company shares, or acquired or disposed of shares during the year.

Use of company information

No Directors have used or acted on information that would not otherwise be available to Directors.

Auditor's remuneration

The audit fees for the current year will be $15,774.

Donations

There were no donations for the year (2013 $nil).

Employee Remuneration

There were no employees who received total remuneration benefits of more that $100,000 per annum (2013 nil).

Directors' Interests

The Directors have made the following declarations of interest:

Director	**Interest**
Matthew Doyle (Chairman)	Wanganui District Council Holdings Limited The Accountants Limited Doyle & Associates The Accountants Limited Wanganui Gas Limited Cairncross & Doyle Limited OTL Limited Gasnet Limited Wanganui Gas No 1 Limited Internet Energy Limited
Harvey Green	Wanganui District Council Holdings Limited Underground Assets Limited Belmont Forest Ltd Huntingdale Lodge 2010 Ltd Huntingdale Lodge 2012 Ltd Quay Investments Limited Energy and Health Limited Petrosell Wanganui Limited Undies Limited Wanganui Gas Limited Gasnet Limited Wanganui Gas No 1 Limited
Peter Hazledine	Wanganui District Council Holdings Limited Wanganui Gas Limited Gasnet Limited Wanganui Gas No 1 Limited Hazledine Consulting Limited
Annette Main	Wanganui District Council Holdings Limited Te Korire Trust Sarjeant Gallery Trust Wanganui District Employment Training Trust Whanganui and Partners
Rob Vinsen	Wanganui District Council Holdings Limited Katere Surface Coatings Limited Katere Holdings Limited Just Looking Limited Brassey Developments Limited

Company's Affairs

The Directors consider the state of the Company's affairs to be satisfactory.
On behalf of the Board

Harvey Green
Director

Rob Vinsen
Director

Chairman's Report

I am pleased to report on the activities for the Wanganui District Council Holdings Limited (WDCHL) for the 2014 year. The Board consists of the following Directors:

- Matthew Doyle, Chair
- Matt Edmonds (Resigned 28 February 2014)
- Michael Eden (Resigned 28 February 2014)
- Rob Vinsen
- Annette Main
- Harvey Green (Appointed 01 March 2014)
- Peter Hazledine (Appointed 01 March 2014)

With the divestment of the EDNZ Company to Trustpower, a review was undertaken as to streamlining the governance of the Holding Company.

As a result of the review, it was decided to replicate the Directors of Wanganui Gas Limited onto the Board of Wanganui District Council Holdings Limited to provide for a more streamlined and co-ordinated governance model.

The retirement of Michael and Matt saw the end of a very busy period which started with the refurbishment of the airport terminal and ended with the divestment of EDNZ.

We wish to thank Michael and Matt for their long and dedicated service to the Board, for the insightful comment and absolute belief in the economic future and success of Wanganui.

The new Board has continued to operate with each of the Directors taking responsibility for a selected area of business and working in conjunction with Wanganui District Council (WDC) staff to facilitate the various developments, with all activities being reported back to the Board for consideration and resolution.

The main areas of activity assigned to each Director are defined in the table below.

Area	**Responsible Directors**	
Airport	Matt Doyle	Harvey Green
Forestry & Quarrying	Rob Vinsen	Harvey Green
Gas	Matt Doyle	Harvey Green
Property	Rob Vinsen	Harvey Green
Port	Rob Vinsen	Matt Doyle

It has been an exciting year with a number of business areas experiencing improved market conditions.

The Holding Company has entered into a Heads of Agreement with Tupoho Investments Limited to investigate the operation of the Whanganui Port. The Port operation does bring challenges and opportunities that the Directors will be looking to work through over the next twelve months.

I would like to express my appreciation to my fellow Directors for the considerable effort they have made to make the 2013/14 year so successful. In all cases, their input has either been at the expense of their own businesses or their free time and while WDCHL (thus the community) has been the ultimate beneficiary, the working relationships developed have been rewarding. The significant contribution of Kevin Ross, in his role as WDC Chief Executive, as well as the WDC Finance staff, is also gratefully acknowledged. We look forward to the coming year.

Matthew Doyle
Chair

Statement of comprehensive income

For the year ended 30 June 2014

	Note	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Income					
Sales		-	-	5,382	2,736
Cost of sales		-	-	-	-
Gross profit from trading		-	-	5,382	2,736
Finance income	**1**	8,083	1,438	199	166
Other revenue	**2**	796	818	881	836
Gains	**3**	358	583	365	580
Total income		9,237	2,839	6,827	1,582
Expenses					
Personnel costs	**4**	151	152	1,286	1,248
Depreciation and amortisation expense		54	36	1,188	1,025
Finance costs	**1**	1,074	1,356	1,074	1,356
Net change in fair value of CFDs		-	-	-	-
Other expenses	**5**	481	800	1,388	1,569
Total expenses		1,760	2,344	4,936	5,198
Surplus/(deficit) before tax		**7,477**	**495**	**1,891**	**(880)**
Income tax expense	**6**		-	529	272
Surplus/(deficit) after tax from continuing operations		**7,477**	**495**	**1,362**	**(1,152)**
Discontinued operations					
Profit after tax from discontinued operations	**28**	-	-	-	15,936
Surplus/ (deficit) after tax		**7,477**	**495**	**1,362**	**14,784**
Other comprehensive income					
Asset revaluation movement		-	-	-	7,668
Income tax re components of other comprehensive income		-	-	-	(2,147)
Total other comprehensive income		-	-	-	5,521
Total comprehensive income		**7,477**	**495**	**1,362**	**20,305**
Attributable to					
Wanganui District Council Holdings Limited		7,477	495	1,362	20,305
		7,477	**495**	**1,362**	**20,305**

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2014

		Parent		Group	
		2014	**2013**	**2014**	**2013**
	Note	**$000**	**$000**	**$000**	**$000**
Balance at 1 July		10,033	9,538	33,262	12,957
Comprehensive income					
Surplus/(deficit) after tax from continuing operations		7,477	495	1,362	(1,152)
Surplus/(deficit) after tax from discontinued operations		-	-	-	15,936
Other comprehensive income		-	-	-	5,521
Total comprehensive income		7,477	495	1,362	20,305
Attributable to					
Wanganui District Council Holdings Limited		7,477	495	1,362	20,305
Transactions with shareholders					
Repurchase of shares		(6,521)	-	(6,521)	-
Dividends paid		(2,330)	-	(2,330)	-
Equity as at 30 June		**8,659**	**10,033**	**25,773**	**33,262**

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2014

		Parent		Group	
		2014	2013	2014	2013
	Note	$000	$000	$000	$000
Assets					
Current assets					
Cash and cash equivalents	**7**	328	422	737	3,745
Debtors and other receivables	**8**	53	84	838	17,709
Taxation refund		-	-	21	137
Other financial assets	**11**	-	9,250	-	-
Inventories	**10**	-	-	203	202
		381	9,756	1,799	21,793
Non-current assets					
Other financial assets	**11**	18,800	18,800	-	-
Property, plant and equipment	**12**	756	737	32,609	32,690
Intangible assets	**13**	2,226	2,226	2,296	2,304
Goodwill on consolidation	**13**	-	-	9,353	9,353
		21,782	21,763	44,258	44,347
Total assets		**22,163**	**31,519**	**46,057**	**66,140**
Liabilities					
Current liabilities					
Creditors and other payables	**14**	216	494	658	5,863
Employee entitlements	**15**	19	17	70	167
Borrowings	**16**	3,000	3,000	3,000	3,000
		3,235	3,511	3,728	9,030
Non-current liabilities					
Borrowings	**16**	9,750	16,750	9,750	16,750
Derivative financial instruments	**9**	519	1,225	519	1,225
Deferred tax	**6**	-	-	6,287	5,873
		10,269	17,975	16,556	23,848
Total liabilities		**13,504**	**21,486**	**20,284**	**32,878**
Net assets		**8,659**	**10,033**	**25,773**	**33,262**
Equity	**17**				
Share capital		7,846	10,900	7,846	10,900
Retained earnings		813	(867)	12,406	16,841
Fair value through equity reserve		-	-	-	-
Asset revaluation reserve		-	-	5,521	5,521
		8,659	**10,033**	**25,773**	**33,262**

For and on behalf of the Board

Harvey Green
Director

Rob Vinsen
Director

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2014

	Note	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Cash flows from operating activities					
Receipts from customers		794	835	9,453	40,608
Interest received		333	1,237	199	173
Dividends received		7,750	200	-	-
Payments to suppliers and employees		(809)	(794)	(7,777)	(42,879)
GST (net)		29	(43)	(71)	414
Taxes paid		(3)	1	(3)	1
Interest paid		(1,166)	(1,334)	(1,166)	(1,334)
Net cash from operating activities	**18**	**6,928**	**102**	**635**	**(3,017)**
Cash flows from investing activities					
Sale of fixed assets and investments		-	-	7	
Sale of intangibles		-	-	13,650	-
Purchase of intangibles		-	-	(40)	(9)
Sale of interest rate swaps		(349)	-	(349)	-
Purchase of fixed assets and investments		(72)	(132)	(1,060)	(1,137)
Net cash from investing activities		**(421)**	**(132)**	**12,208**	**(1,146)**
Cash flows from financing activities					
Proceeds from borrowings		-	-	-	-
Repayment of loans to subsidiaries		9,250	1,000	-	-
Repayment of borrowings		(7,000)	(1,000)	(7,000)	(1,000)
Repurchase of shares		(6,521)	-	(6,521)	-
Dividends paid		(2,330)	-	(2,330)	-
Net cash from financing activities		**(6,601)**	**-**	**(15,851)**	**(1,000)**
Net (decrease)/increase in cash and cash equivalents		**(94)**	**(30)**	**(3,008)**	**(5,163)**
Cash and cash equivalents at the beginning of the year		422	452	3,745	8,908
Cash and cash equivalents at the end of the year		**328**	**422**	**737**	**3,745**

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

Statement of accounting policies

For the year ended 30 June 2014

REPORTING ENTITY

Wanganui District Council Holdings Limited (WDCHL) is a company formed in accordance with and registered under the Companies Act 1993. WDCHL is controlled by Wanganui District Council (the Council) and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Directors. WDCHL is domiciled in New Zealand.

The group financial statements include its subsidiary, Wanganui Gas Limited which is also domiciled in New Zealand. On 1 July 2008 the two independent trading divisions of Wanganui Gas Limited, GasNet and Energy Direct NZ, were established as separate companies. Both companies are 100% owned by Wanganui Gas Limited. During 2013, the assets of Energy Direct NZ Ltd were sold and the company ceased to operate as an energy retailer. The operations of Energy Direct NZ Ltd have been presented as a discontinued operation.

The primary objective of WDCHL is to operate as a successful business in relation to its investments and the monitoring roles assigned to it under contract by the Council. The Company aims to improve the long term value and financial return that the Council receives from its trading undertakings.

WDCHL is a profit oriented entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of WDCHL are for the year ended 30 June 2014. The financial statements were authorised for issue by the Board of Directors on 30 September 2014.

BASIS OF PREPARATION

Statement of compliance
The financial statements of WDCHL have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate.

For the purposes of complying with NZ GAAP, the WDCHL is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector. The WDCHL has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

Measurement base
The financial statements are prepared using the historical cost basis, modified by the revaluation of certain financial instruments (including derivative instruments).

Functional and presentation currency
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The Company's functional currency is New Zealand dollars.

Changes in accounting policies

New and amended standards adopted by the Company

The following new standards and amendments to standards relevant to WDCHL have been adopted as of 1 July 2013 and have been applied in the preparation of these financial statements.

NZFRS 10 – Consolidated financial statements – builds on existing principles by identifying the concept of control as the determining principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard has not had a material impact on WDCHL.

NZ IFRS 12 Disclosure of Interests in Other Entities / NZ IAS 27, 28 and 31 issued in June 2011. NZ IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced regarding judgements made by management to determine whether control exists and information to be disclosed. The standard has not had a material impact on WDCHL.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

At the date of authorisation of the financial report, a number of standards and interpretations were issued but not yet effective.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted, and which are relevant to WDCHL and Group include:

NZIFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through 3 main phases: Phase 1 Classification and Measurement; Phase 2 Impairment Methodology; and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9.

NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The approach is based upon how an entity manages its financial assets and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those in NZ IAS 39 except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is to be adopted for reporting periods beginning on or after 1 January 2017. The standard is not expected to have a material effect on WDCHL.

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intergroup balances, transactions, income and expenses are eliminated on consolidation.

Subsidiaries
WDCHL consolidates as subsidiaries in the group financial statements all entities where WDCHL has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where WDCHL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by WDCHL or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

WDCHL measures the cost of a business combination as the aggregate of:
- the consideration transferred, which is generally measured at acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over WDCHL's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If WDCHL's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the surplus or deficit.

Investments in subsidiaries are carried at cost in WDCHL's own "parent entity" financial statements.

Revenue
Revenue is measured at the fair value of consideration received or receivable.

Revenue is derived from port operations, gas network distribution services, and the sale of energy. Such revenue is recognised when earned and is reported in the financial period to which it relates. Energy sales include an accrual for energy supplied but not billed at the end of the financial period.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividends are recognised when the shareholder's rights to receive payment has been established and are recognised net of imputation credits.

Borrowing costs
Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise borrowing costs are recognised as an expense in the period in which they are incurred.

Income Tax
Income tax expense is the aggregate of current period movements in relation to both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects that tax consequences that would follow from the manner in which WDCHL expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting surplus nor taxable surplus.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Leases

Finance leases
A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, WDCHL recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether WDCHL will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables
Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that WDCHL will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Electricity Contracts for Differences (CFDs)
CFDS are not traded on an active market so the fair values of CFDs are based on the discounted values of future cash flows with assumptions based on publically available forecasted prices and models maintained by an external consultant.

Changes in the fair values of CFDs are recognised in the Statement of Comprehensive Income within the Operating Profit.

Financial assets
Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which WDCHL commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the WDCHL has transferred substantially all the risks and rewards of ownership.

WDCHL classifies its financial assets into the following categories: fair value through surplus or deficit, held-to-maturity investments, loans and receivables and fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is categorised in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. WDCHL's financial assets at fair value through profit and loss include derivatives that are not designated as hedges.

Financial assets acquired principally for the purpose of selling in the short-term are classified as a current asset.

After initial recognition, financial assets are measured at their fair values with gains or losses on remeasurement are recognised in the surplus or deficit.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. WDCHL's loans and receivables comprise cash and cash equivalents, debtors and other receivables, term deposits, and related party loans.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that WDCHL has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair value through other comprehensive income
Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date or if the debt instrument is not expected to be realised within 12 months of balance date. WDCHL's financial assets at fair value through other comprehensive income comprise investments in quoted and unquoted shares. WDCHL includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

WDCHL's investments in its subsidiary is not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Fair value
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. WDCHL uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted expected cash flows, are used to determine fair value for the remaining financial instruments.

Impairment of financial assets
Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held-to-maturity investments
Impairment is established when there is objective evidence that WDCHL will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, impairment losses are recognised directly against the instruments carrying amount.

Impairment of term deposits and related party loans is established when there is objective evidence that the WDCHL will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

Financial assets at fair value through other comprehensive income
For equity investment, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If such evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Derivative financial instruments and hedge accounting
WDCHL uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, WDCHL does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

WDCHL designates certain derivates as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

Inventories
Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Capital contributions
Capital contributions received from customers are netted from the cost of the asset.

Impairment of assets
At each balance date WDCHL assesses whether there is any objective evidence that any asset has been impaired. Any impairment losses are recognised in the surplus or deficit.

Property, plant and equipment
Property, plant and equipment consists of:

Operational assets – these include land, buildings, motor vehicles and plant and equipment.

Infrastructure assets – these include the fixed utility systems comprising the distribution and measurement systems. Each asset type includes all items that are required for the network to function.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation
Land, buildings and infrastructural assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

WDCHL assesses the carrying values of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

WDCHL accounts for revaluations of property, plant and equipment on an asset by asset basis.

The results of revaluing are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Additions
The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to WDCHL and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation
Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and art works, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset type	**Depreciation rate**
Distribution Network Mains and Services	1-15% SL
Distribution Network Condition Renewals	2% SL
Gas Measurement Systems and Distribution Network Customer Stations	1-10% SL
Buildings	2% SL
Vehicles, Plant, Office Equipment and Furniture and Fittings	4-33 % SL

Computer Hardware	20-33% SL
Leasehold Improvements	2-20% SL

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of WDCHL's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

Software acquisition and development
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by WDCHL, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Customer List
The cost of the acquisition of the gas and electricity customers gained during the financial year has been capitalised. These are valued at cost and are amortised at 20% per annum.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 years	33%
Customer list	5 years	20%

Impairment of property, plant and equipment and intangible assets
Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated, replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables
Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless WDCHL has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of balance date.

Employee entitlements
Short-term employee entitlements
Employee benefits that WDCHL expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at, balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

WDCHL recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that WDCHL anticipates it will be used by staff to cover those future absences.

WDCHL recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements
Entitlements that are payable beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and the present value of the estimated future cash flows. The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements
Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Equity
Equity is the community's interest in WDCHL and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- retained earnings
- property, plant and equipment reserves
- fair value through other comprehensive reserves

WDCHL's objectives, policies and processes for managing capital are described in note 27.

Goods and Service Tax (GST)
All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions
In preparing these financial statements WDCHL has made estimates and assumptions concerning the future which may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

At each balance date WDCHL reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires WDCHL to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by WDCHL, and expected disposal proceeds from the sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the surplus and deficit, and carrying amount of the asset in the statement of financial position. WDCHL minimises the risk of this estimation uncertainty by:

- an annual review by an independent contractor of the value of the infrastructure assets
- physical inspection of assets
- asset replacement programmes
- review of second hand market prices for similar assets
- analysis of prior assets sales; and
- completing a revaluation of the infrastructure assets every third year

WDCHL has not made significant changes to past assumptions concerning useful lives and residual values.

The carry amounts of property, plant and equipment are disclosed in note 12.

WDCHL Group's customer acquisition programme has incurred unprecedented costs during the year relating to the marketing and switching activities. Accordingly the Company has chosen to value these customers as an intangible asset at the cost of acquisition less amortisation at the rate of 20% per annum.

An incorrect estimate of the residual value will impact on the amortisable amount of an intangible asset impacting on the amortisation expense recognised in the profit and loss statement and the carrying amount of the intangible asset in the balance sheet. WDCHL minimises the risk of this estimation uncertainty to its intangible assets by:

- an annual review of the value of the intangible assets to determine if any material changes exist.
- a review of any prices for trades of similar intangible assets.
- an annual review of the appropriateness of the amortisation rate.
- analysis of prior intangible asset sales.

Notes to the Financial Statements

For the year ended 30 June 2014

1. Finance income and finance costs	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Finance income				
Interest income				
- from term loans	333	1,238	199	165
- from hire purchase	-	-	-	-
Dividend income	7,750	200	-	1
Total finance income	**8,083**	**1,438**	**199**	**166**
Finance costs				
Interest paid on fixed loans	1,074	1,356	1,074	1,356
Total finance costs	**1,074**	**1,356**	**1,074**	**1,356**

2. Other revenue	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Management fees	60	60	60	60
Contracting revenue	120	152	140	168
Grants - Council Harbour Endowment	416	402	416	402
Rental income	178	180	178	180
Sundry revenue	22	24	87	26
Total other revenue	**796**	**818**	**881**	**836**

3. Gains	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Non-financial instruments				
Property plant and equipment gains on disposal	-	-	7	-
Total non-financial instruments gains	**-**	**-**	**7**	**-**
Financial assets				
Gains/(Losses) from movements in financial assets carried at fair value	-	-	-	(3)
Total financial assets	**-**	**-**	**-**	**(3)**
Financial instruments				
Gains/(losses) from derivative financial instruments	358	583	358	583
Total financial instruments gains	**358**	**583**	**358**	**583**
Total gains	**358**	**583**	**365**	**580**

4. Personnel costs	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Salaries and wages	149	148	1,441	1,306
Employer contributions to superannuation	-	-	34	24
Other personnel costs	-	-	53	49
Increase/(decrease) in employee entitlements/liabilities	2	4	(113)	1
Less capitalised labour	-	-	(129)	(132)
Total personnel costs	**151**	**152**	**1,286**	**1,248**

Notes to the Financial Statements

For the year ended 30 June 2014

5. Other expenses

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Fees to principal auditor:				
- audit fees for financial statement audit	16	14	62	92
- audit related fees for disclosure regulations	-	-	40	17
Impairment of receivables	-	-	-	-
Directors' fees	47	60	181	140
Rental and operating lease costs	-	-	78	78
Other operating costs	418	726	1,027	1,242
Total operational expenses	**481**	**800**	**1,388**	**1,569**

6. Tax

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Components of tax expense				
Current tax expense	-	-	115	-
Deferred tax on temporary differences	-	-	414	237
Income tax expense	**-**	**-**	**529**	**237**
Relationship between tax expense and accounting profit				
Surplus/(deficit) from continuing operations	7,477	495	1,891	(880)
Surplus/(deficit) from discontinued operations	-	-	-	15,901
Surplus/(deficit) before tax	7,477	495	1,891	15,021
Tax @ 28%	2,093	139	530	4,206
Non-taxable income	(2,170)	(56)	-	(4,202)
Non-deductible expenditure	-	99	-	135
Deferred tax not recognised	75	(182)	-	-
Deferred tax adjustment	1	-	32	33
Prior period adjustment	1	-	(33)	65
Total tax expense	**-**	**-**	**529**	**237**
Tax expense on continuing operations	-	-	529	272
Tax expense on discontinued operations	-	-	-	(35)
Total tax expense	**-**	**-**	**529**	**237**

Deferred tax liability - group

All tax losses have been recognised in the group.

	Property plant and equipment $000	Provisions and derivatives $000	Tax losses $000	Total $000
Balance 1 July 2012	4,872	(570)	(813)	3,489
Charged to profit and loss	(54)	172	119	237
Charged to equity	2,147	-	-	2,147
Balance 30 June 2013	6,965	(399)	(694)	5,873
Charged to profit and loss	(82)	203	293	414
Charged to equity	-	-	-	-
Balance 30 June 2014	**6,884**	**(196)**	**(401)**	**6,287**

The parent has not recognised a deferred tax asset in relation to temporary differences of $374,197 (2013: $1,086,067) and tax losses of $1,427,290 (2013: $454,147). The group has recognised these deferred tax assets."

Imputation credit account	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Imputation credits available for use in subsequent periods	439	443	439	443

Notes to the Financial Statements

For the year ended 30 June 2014

7. Cash and cash equivalents

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Cash at bank and on hand	328	422	737	3,745
Term deposits with maturities less than 3 months	-	-	-	-
Total cash and cash equivalents	**328**	**422**	**737**	**3,745**

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

8. Debtors and other receivables

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Trade debtors	54	52	926	363
Amounts due from related parties (Note 21)	-	-	-	-
Other receivables	-	34	68	17,503
Hire purchase debtors 12 months and under	-	-	-	-
Less provision for impairment	(1)	(2)	(156)	(157)
Total debtors and other receivables	**53**	**84**	**838**	**17,709**

Fair value
Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximate their fair value.

The status of receivables as at 30 June 2014 and 2013 are detailed below:

2014	Gross $000	Impairment $000	Net $000
Parent			
Not past due	28	-	28
Past due 1-60 days	10	-	10
Past due 61-120 days	-	-	-
Past due > 120 days	16	(1)	15
Total	**54**	**(1)**	**53**

2013	Gross $000	Impairment $000	Net $000
Parent			
Not past due	61	-	61
Past due 1-60 days	10	-	10
Past due 61-120 days	-	-	-
Past due > 120 days	15	(2)	13
Total	**86**	**(2)**	**84**

2014	Gross $000	Impairment $000	Net $000
Group			
Not past due	690	-	690
Past due 1-60 days	10	-	10
Past due 61-120 days	-	-	-
Past due > 120 days	294	(156)	138
Total	**994**	**(156)**	**838**

2013	Gross $000	Impairment $000	Net $000
Group			
Not past due	17,501	-	17,501
Past due 1-60 days	121	-	121
Past due 61-120 days	229	(155)	74
Past due > 120 days	15	(2)	13
Total	**17,866**	**(157)**	**17,709**

Notes to the Financial Statements

For the year ended 30 June 2014

The impairment provision has been calculated based on expected losses for the WDCHL group's pool of debtors. Expected losses have been determined based on an analysis of WDCHL's losses in previous periods, and review of specific debtors as detailed below:

	Parent 2014 $000	2013 $000	Group 2014 $000	2013 $000
Individual impairment	-	-	-	-
Collective impairment	1	2	156	157
Total provision for impairment	**1**	**2**	**156**	**157**

Movements in the provision for impairment of receivables are as follows:

	Parent 2014 $000	2013 $000	Group 2014 $000	2013 $000
At 1 July	2	2	157	119
Additional provisions made during the year	-	1	-	227
Provisions reversed during the year	(1)	(1)	(1)	(1)
Receivables written-off during period	-	-	-	(188)
At 30 June	**1**	**2**	**156**	**157**

WDCHL holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

9. Derivative financial instruments	Parent 2014 $000	2013 $000	Group 2014 $000	2013 $000
Current asset portion				
Interest rate swaps - fair value hedges	-	-	-	-
	-	**-**	**-**	**-**
Non-current asset portion				
Interest rate swaps - fair value hedges	-	-	-	-
	-	**-**	**-**	**-**
Total derivative financial instrument assets	**-**	**-**	**-**	**-**
Current liability portion				
Interest rate swaps - fair value hedges	-	-	-	-
	-	**-**	**-**	**-**
Non-current liability portion				
Interest rate swaps - fair value hedges	(519)	(1,225)	(519)	(1,225)
	(519)	**(1,225)**	**(519)**	**(1,225)**
Total derivative financial instrument liabilities	**(519)**	**(1,225)**	**(519)**	**(1,225)**

In October 2013 $6.5M of swaps was transferred from Wanganui District Council Holdings Limited (WDCHL) to WDC. WDCHL paid WDC $349,079 (book value) to take over the swaps.

Fair value
The fair values of interest rate swaps have been determined using a discounted cash flows valuation technique based on quoted market prices.

Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts for WDCHL were $9,000,000 (2013 $15,500,000) and for the Group were $9,000,000 (2013 $15,500,000). At 30 June 2014, the fixed interest rates of cash flow hedge interest rate swaps vary from 5.02% to 6.78% (2013 5.02% to 6.78%).

10. Inventories	Parent 2014 $000	2013 $000	Group 2014 $000	2013 $000
Held for distribution/Commercial inventories				
Network	-	-	203	202
Other	-	-	-	-
Total inventories	**-**	**-**	**203**	**202**

Inventories are pledged as security for liabilities $203,440 (2013 $201,797). There has been no write-down of commercial inventories to net realisable value (2013 nil).

Notes to the Financial Statements

For the year ended 30 June 2014

11. Other financial assets	**Parent 2014 $000**	**Parent 2013 $000**	**Group 2014 $000**	**Group 2013 $000**
Current portion				
Term deposits with maturities of 4-12 months	-	-	-	-
Loans to related parties	-	9,250	-	-
	-	**9,250**	**-**	**-**
Non-current portion				
Shares in subsidiaries (cost)	18,800	18,800	-	-
Loans to related parties (WGL)	-	-	-	-
Hire purchase long term debtors	-	-	-	-
Listed shares in Vector Limited	-	-	-	-
Listed shares in NZ Windfarm Limited	-	-	-	-
	18,800	**18,800**	**-**	**-**
Total other financial assets	**18,800**	**28,050**	**-**	**-**

Fair value

Term Deposits
The carrying amounts of term deposits approximates their fair value.

Loans to related parties
WDCHL's agreement with WGL is that the loan is repayable on demand.

Quoted shares
The fair values of listed shares are determined by reference to published current bid price quotation in an active market.

Unquoted shares
The carrying value of the shares in subsidiaries is at cost.

Impairment
There were no impairment provisions for other financial assets. None of the financial assets are either past due or impaired.

12. Property, plant and equipment

Valuation

Infrastructural assets
The distribution network and the gas measurement systems have been carried at cost less depreciation.
A revaluation at 30 June 2013 increased the carrying value of the Infrastructural assets by $7.668 million.

Assets are pledged as security for liabilities.

Notes to the Financial Statements

For the year ended 30 June 2014

12. Property, plant and equipment

Holdings 2014	**Cost/ valuation 1 July 2013 $000**	**Accumulated depreciation and impairment charges 1 July 2013 $000**	**Carrying amount 1 July 2013 $000**	**Current year additions $000**	**Current year disposals $000**	**Current year depreciation $000**	**Accumulated Depreciation eliminated on disposals and revaluations $000**	**Revaluation movement $000**	**Cost/ revaluation 30 June 2014 $000**	**Accumulated depreciation and impairment charges 30 June 2014 $000**	**Carrying amount 30 June 2014 $000**
Operational assets:											
Buildings	331	(16)	315	-	-	(7)	-	-	331	(23)	308
Vehicles	4	(1)	3	-	-	(1)	-	-	4	(2)	2
Office equipment	17	(4)	13	-	-	(3)	-	-	17	(7)	10
Furniture and fittings	3	(1)	2	-	-	()	-	-	3	(1)	2
Plant and equipment	462	(61)	401	73	-	(42)	-	-	535	(103)	432
Computer hardware	4	(1)	3	-	-	(1)	-	-	4	(2)	2
Total	**821**	**(84)**	**737**	**73**	**-**	**(54)**	**-**	**-**	**894**	**(138)**	**756**

Group 2014	**Cost/ valuation 1 July 2013 $000**	**Accumulated depreciation and impairment charges 1 July 2013 $000**	**Carrying amount 1 July 2013 $000**	**Current year additions $000**	**Current year disposals $000**	**Current year depreciation $000**	**Accumulated Depreciation eliminated on disposals and revaluations $000**	**Revaluation movement $000**	**Cost/ revaluation 30 June 2014 $000**	**Accumulated depreciation and impairment charges 30 June 2014 $000**	**Carrying amount 30 June 2014 $000**
Infrastructural assets:											
Distribution network	27,919	-	27,919	630	-	(788)	-	-	28,549	(788)	27,761
Gas measurement system	3,714		3,714	298	-	(229)	-	-	4,012	(229)	3,783
Operational assets:											
Land	39	-	39	-	-	-	-	-	39	-	39
Buildings	331	(16)	315	-	-	(7)	-	-	331	(23)	308
Leasehold improvements	238	(154)	84	-	(75)	(14)	75	-	163	(93)	70
Vehicles	209	(130)	79	32	(1)	(21)	-	-	240	(151)	89
Office equipment	45	(30)	15	3	(22)	()	22	-	26	(8)	18
Furniture and fittings	23	(20)	3	-	(11)	-	11	-	12	(9)	3
Plant and equipment	732	(244)	488	97	(44)	(61)	44	-	785	(261)	524
Computer hardware & software	390	(356)	34	1	(290)	(20)	289	-	101	(87)	14
Total	**33,640**	**(950)**	**32,690**	**1,061**	**(443)**	**(1,140)**	**441**	**-**	**34,258**	**(1,649)**	**32,609**

Notes to the Financial Statements

For the year ended 30 June 2014

12. Property, plant and equipment cont...

Holdings 2013	Cost/ valuation 1 July 2012 $000	Accumulated depreciation and impairment charges 1 July 2012 $000	Carrying amount 1 July 2012 $000	Current year additions $000	Current year disposals $000	Current year depreciation $000	Accumulated Depreciation eliminated on disposals and revaluations $000	Revaluation movement $000	Cost/ revaluation 30 June 2013 $000	Accumulated depreciation and impairment charges 30 June 2013 $000	Carrying amount 30 June 2013 $000
Operational assets:											
Buildings	300	(11)	289	31	-	(5)	-	-	331	(16)	315
Vehicles	4	(1)	3	-	-	()	-	-	4	(1)	3
Office equipment	7	(2)	5	10	-	(2)	-	-	17	(4)	13
Furniture and fittings	3	-	3	-	-	(1)	-	-	3	(1)	2
Plant and equipment	374	(34)	340	88	-	(27)	-	-	462	(61)	401
Computer hardware	1	-	1	3	-	(1)	-	-	4	(1)	3
Total	**689**	**(48)**	**641**	**132**	**-**	**(36)**	**-**	**-**	**821**	**(84)**	**737**

Group 2013	Cost/ valuation 1 July 2012 $000	Accumulated depreciation and impairment charges 1 July 2012 $000	Carrying amount 1 July 2012 $000	Current year additions $000	Current year disposals $000	Current year depreciation $000	Accumulated Depreciation eliminated on disposals and revaluations	Revaluation movement $000	Cost/ revaluation 30 June 2013 $000	Accumulated depreciation and impairment charges 30 June 2013 $000	Carrying amount 30 June 2013 $000
Infrastructural assets:											
Distribution network	23,120	(2,448)	20,672	610	-	(630)	3,078	4,189	27,919	-	27,919
Gas measurement system	3,951	(760)	3,191	340	-	(217)	977	(577)	3,714		3,714
Operational assets:											
Land	39	-	39	-	-	-	-	-	39	-	39
Buildings	300	(11)	289	31	-	(5)	-	-	331	(16)	315
Leasehold improvements	307	(173)	134	-	(69)	(28)	47	-	238	(154)	84
Vehicles	209	(103)	106	-	-	(27)	-	-	209	(130)	79
Office equipment	76	(60)	16	11	(42)	(10)	40	-	45	(30)	15
Furniture and fittings	40	(33)	7	-	(17)	(2)	15	-	23	(20)	3
Plant and equipment	631	(193)	438	104	(3)	(53)	2	-	732	(244)	488
Computer hardware & software	438	(380)	58	16	(64)	(36)	60	-	390	(356)	34
Total	**29,111**	**(4,161)**	**24,950**	**1,112**	**(195)**	**(1,008)**	**4,219**	**3,612**	**33,640**	**(950)**	**32,690**

Notes to the Financial Statements

For the year ended 30 June 2014

13. Intangible assets

	WDCHL goodwill $000	Group software $000	Customer list $000	Group goodwill $000	Group total $000
Movements for each class of intangible asset are as follows:					
Balance at 1 July 2013					
Cost	2,226	257	-	9,353	11,835
Accumulated amortisation and impairment	-	(179)	-	-	(179)
Opening carrying amount	2,226	78	-	9,353	11,657
Year ended 30 June 2014					
Additions	-	40	-	-	40
Disposals (cost)	-	-	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-	-	-
Amortisation charge	-	(48)	-	-	(48)
Closing carrying amount	2,226	70	-	9,353	11,649
Balance at 30 June 2014					
Cost	2,226	297	-	9,353	11,876
Accumulated amortisation and impairment	-	(227)	-	-	(227)
Closing carrying amount	**2,226**	**70**	**-**	**9,353**	**11,649**
Balance at 1 July 2012					
Cost	2,226	230	1,558	9,353	13,367
Accumulated amortisation and impairment	-	(147)	(1,319)	-	(1,466)
Opening carrying amount	2,226	83	239	9,353	11,901
Year ended 30 June 2013					
Additions	-	42	-	-	42
Disposals (cost)	-	(15)	(1,558)	-	(1,573)
Accumulated Depreciation eliminated on Disposal	-	14	1,526	-	1,540
Amortisation charge	-	(46)	(207)	-	(253)
Closing carrying amount	2,226	78	-	9,353	11,657
Balance at 30 June 2013					
Cost	2,226	257	-	9,353	11,836
Accumulated amortisation and impairment	-	(179)	-	-	(179)
Closing carrying amount	**2,226**	**78**	**-**	**9,353**	**11,657**

There are no restrictions over the title of WDCHL's intangible assets, nor are any intangible assets pledged as security for liabilities.

No intangibles are impaired at balance date.

Goodwill
WDCHL Goodwill relates to the purchase of the assets of the Port. Group Goodwill arises on consolidation of Wanganui Gas Limited in the books of WDCHL.

14. Creditors and other payables

	Parent 2014 $000	2013 $000	Group 2014 $000	2013 $000
Trade payables and other accrued expenses	38	259	363	5,474
Amounts due to related parties (note 21)	18	5	91	15
GST	22	-	66	144
Accrued interest expenses	138	230	138	230
	216	**494**	**658**	**5,863**

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

Notes to the Financial Statements

For the year ended 30 June 2014

15. Employee entitlements	**Parent**		**Group**	
	2014	**2013**	**2014**	**2013**
	$000	**$000**	**$000**	**$000**
Current portion				
Accrued pay	5	5	50	101
Annual leave	14	12	17	63
Sick leave	-	-	3	3
Retirement and long service	-	-	-	-
Total current portion	19	17	70	167
Non-current portion				
Retirement and long service	-	-	-	-
Total non-current portion	-	-	-	-
Total employee entitlements	**19**	**17**	**70**	**167**

16. Borrowings	**Parent**		**Group**	
	2014	**2013**	**2014**	**2013**
	$000	**$000**	**$000**	**$000**
Current portion				
Secured loans	3,000	3,000	3,000	3,000
Finance leases	-	-	-	-
Total current portion	3,000	3,000	3,000	3,000
Non-current portion				
Secured loans - Port	2,750	2,750	2,750	2,750
Secured loans - Other	7,000	14,000	7,000	14,000
Finance leases	-	-	-	-
Total non-current portion	9,750	16,750	9,750	16,750
Total borrowings	**12,750**	**19,750**	**12,750**	**19,750**

Secured loans
WDCHL's secured debt of $12,750,000 (2013 $19,750,000) is issued at a mix of fixed and floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin of 0.7% to 1.6% for credit risk. WDCHL's debt to WDC of $2,750,000 (2013 $2,750,000) has an interest rate of 7.5% p.a. The loan is repayable upon written request by WDC. However there is a written agreement in place between WDC and WDCHL that the loan will not be required to be repaid before 30 September 2015.

Security
A first ranking debenture providing for fixed and floating charges over all assets is in place.

Fair values of non-current borrowings	**Carrying amount**		**Fair value**	
	2014	**2013**	**2014**	**2013**
	$000	**$000**	**$000**	**$000**
Secured loans	12,750	19,750	11,418	17,589
Total	**12,750**	**19,750**	**11,418**	**17,589**

Notes to the Financial Statements

For the year ended 30 June 2014

17. Equity

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Share capital				
Balance at 1 July	10,900	10,900	10,900	10,900
Shares cancelled	(3,054)	-	(3,054)	-
Balance at 30 June	7,846	10,900	7,846	10,900
Retained earnings				
Balance at 1 July	(867)	(1,362)	16,841	2,057
Surplus/(deficit) for the year	7,477	495	1,362	14,784
Share repurchase	(6,521)		(6,521)	
Shares cancelled	3,054		3,054	
Dividends paid	(2,330)	-	(2,330)	-
Balance at 30 June	813	(867)	12,406	16,841
Fair value through equity reserve				
Balance at 1 July	-	-	-	-
Fair value gains/(losses)	-	-	-	-
Balance at 30 June	-	-	-	-
Asset revaluation reserve				
Balance at 1 July	-	-	5,521	-
Revaluation gains/(losses)	-	-	-	7,668
Deferred tax on revaluation	-	-	-	(2,147)
Balance at 30 June	-	-	5,521	5,521
Distribution network	-	-	-	-
Gas measurement system	-	-	-	-
Balance at 30 June	-	-	-	-

Share capital
Authorised shares 31,945,700 (2013: 35,000,000)
On 8 October 2013, WDCHL repurchased 3,054,300 shares from Wanganui Disctrict Council for $2.13 each. Following the repurchase, these shares were cancelled. As at 30 June 2014 WDCHL has 7,845,800 shares issued and fully paid up (2013: 10,900,100)
The fully paid shares are all ordinary shares. The reminaning authorised shares are redeemable preference shares. ANZ Bank has first option on any call made on uncalled capital.

18. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Surplus/(deficit) after tax	**7,477**	**495**	**1,362**	**14,784**
Add/(less) non-cash items:				
Depreciation and amortisation expense	54	36	1,188	1,261
(Gains)/losses from derivative financial instruments	(358)	(583)	(365)	(580)
Other non-cash items	-	-	-	-
	7,173	(52)	2,185	15,465
Add/(less) items classified as investing or financing activities:				
(Gains)/losses on disposal of intangible assets	-	-	-	(14,990)
Increase/(decrease) in deferred tax	-	-	413	237
	-	-	413	(14,753)
Add/(less) movements in working capital items:				
Accounts receivable	30	(13)	3,338	3,470
Inventories	-	8	(2)	4
Accounts payable	(277)	150	(5,203)	(7,225)
Income tax payable	-	-	-	-
Employee entitlements	2	9	(96)	22
	(245)	154	(1,963)	(3,729)
Net cash inflow/(outflow) from operating activities	**6,928**	**102**	**635**	**(3,017)**

Notes to the Financial Statements

For the year ended 30 June 2014

19. Capital commitments and operating leases

The company has no capital commitments as at 30 June 2014 (2013 nil).

	Parent		Group	
	2014	2013	2014	2013
	$000	$000	$000	$000
Operating leases				
Not later than one year	-	-	28	84
Later than one year and not later than five years	-	-	203	171
Greater than five years	-	-	28	32

20. Contingencies

At 30 June 2014 there are no contingent liabilities or assets (2013 nil).

21. Related party transactions

WDCHL is a wholly owned subsidiary of the Wanganui District Council and 100% owns Wanganui Gas Limited and 100% of Whanganui Port Limited.

	Parent		Group	
	2014	2013	2014	2013
	$000	$000	$000	$000
Wanganui District Council				
Loans to WDCHL	2,750	2,750	2,750	2,750
Services provided to WDCHL	416	402	343	(5)
Services provided to WDC	42	42	42	104
Interest paid to WDC	206	206	206	206
Management fees paid to WDCHL	60	60	60	60
Dividend paid from WDHCL	2,330	-	2,330	-
Transfer of SWAPs from WDCHL	349	-	349	-
Repurchase of shares from WDC	6,521	-	6,521	-
Accounts payable to WDC	18	5	(18)	(15)
Accounts receivable from WDC	-	-	-	-
Wanganui Gas Limited				
Interest paid to WDCHL	299	1,230	-	-
Loan advance from WDCHL	-	9,250	-	-
Amounts payable to WGL	-	-	-	-
Dividend paid to WDCHL	7,750	200	-	-
Wanganui Airport Joint Venture				
Services provided to WDCHL	-	1	-	1
Amounts payable to WAJV				
Consultancy fees paid to directors during the year were				
Matthew Doyle	34	96	34	96
Matthew Edmonds	-	-	-	-
Michael Eden	-	-	-	-
Annette Main	-	-	-	-
Rob Vinsen	-	-	-	-
Harvey Green	-	-	-	4
Peter Griffiths	-	-	-	-
Peter Hazledine	-	-	-	-

Transactions with key management personnel

During the year Directors and key management, as part of a normal customer relationship, were involved in minor transactions with WDCHL and WGL (purchase of energy). Amounts owing to related parties at balance date were: Doyle & Associates $nil (2013 $39,581).

Notes to the Financial Statements

For the year ended 30 June 2014

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Key management personnel compensation				
Salaries and short term employee benefits	49	61	448	884
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
	49	**61**	**448**	**884**

Key management personnel for the parent includes the Directors. The Group includes the Directors and the companys' General Managers and members of their senior management team.

The Group has supplied energy to Directors and key management personnel on an arms length basis for which related party disclosures have not been made.

22. Remuneration

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
WDC Chief Executive				
The Chief Executive received the following remuneration:				
Salary and other benefits	-	-	-	-
	-	**-**	**-**	**-**
Directors				
Directors received the following remuneration:				
Matthew Doyle (WDCHL and WGL chairman)	13	17	73	77
Matthew Edmonds (WDCHL director, resigned February 2014)	13	17	13	17
Michael Eden (WDCHL director, resigned February 2014)	13	17	13	17
Rob Vinsen (WDCHL director)	10	10	10	10
Annette Main (WDCHL director)	-	-	-	-
Harvey Green (WDCHL and WGL director)	-	-	31	31
Peter Griffths (WGL director, resigned October 2013)	-	-	10	31
Peter Hazledine (WGL and WDCHL director)	-	-	31	31
	49	**61**	**181**	**214**

23. Events after the balance date

There have been no material events since balance date (2013 nil).

24. Financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	Parent 2014 $000	Parent 2013 $000	Group 2014 $000	Group 2013 $000
Financial assets				
Fair value through profit and loss - held for trading				
Derivative financial instrument assets	-	-	-	-
Loans and receivables				
Cash and cash equivalents	328	422	737	3,745
Debtors and other receivables	53	84	838	17,709
Other financial assets:				
- term deposits	-	-	-	-
- loans to related parties	-	9,250	-	-
Held to maturity				
Fair value through equity				
Other financial assets:				
- listed shares	-	-	-	-
Financial liabilities				
Financial liabilities at amortised cost				
Creditors and other payables	216	494	658	5,863
Borrowings:				
- secured loans	12,750	19,750	12,750	19,750
Fair value through comprehensive income				
- net change in fair value of CFDs	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2014

25. Fair value hierarchy disclosures

For those instruments recognised at fair value on the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price - Financial instruments with quoted prices for identical instruments in active markets
- Valuation technique using observable inputs - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs - Financial instruments valued using models where one or more significant inputs are not observable

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the statement of financial position

		Valuation technique		
	Total	**Quoted market Price**	**Observable inputs**	**Significant non observable** inputs
	$000	**$000**	**$000**	**$000**
Parent 2014				
Financial assets				
Derivatives - CFDs	-	-		
Shares listed securities	-			
Financial liabilities				
Derivatives	519	519		
Group 2014				
Financial assets				
Derivatives - CFDs	-			-
Shares listed securities	-	-		
Financial liabilities				
Derivatives	519	519		
Parent 2013				
Financial assets				
Derivatives - CFDs	-	-		
Shares listed securities	-			
Financial liabilities				
Derivatives	1,225	1,225		
Group 2013				
Financial assets				
Derivatives - CFDs	-			-
Shares listed securities	-	-		
Financial liabilities				
Derivatives	1,225	1,225		

26. Financial instrument risks

WDCHL has a series of policies to manage the risks associated with financial instruments. WDCHL is risk adverse and seeks to minimise exposure from its treasury activities. WDCHL uses WDC's policies to manage risks.

Market risk

Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. WDCHL is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity. This price risk arises due to market movements in listed securities. This price risk is managed in accordance with WDCHL's (WDC's) investment policy.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the change in foreign exchange rates. WDCHL is not exposed to currency risk.

Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose WDCHL to fair value interest rate risk. WDC's Liability Management policy is used to manage fair value interest rate risk.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose WDCHL to cash flow interest rate risk. Generally, WDCHL raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if WDCHL borrowed at fixed rates directly. Under the interest rate swaps, WDCHL agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Notes to the Financial Statements

For the year ended 30 June 2014

Credit risk

Credit risk is the risk that a third party will default on its obligation to WDCHL, causing WDCHL to incur a loss. Due to the timing of its cash inflows and outflows, WDCHL invests surplus cash into term deposits which gives rise to credit risk.

WDCHL's (WDC's) investment policy limits the amount of credit exposure to any one financial institution or organisation.

WDCHL has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk
WDCHL's maximum credit exposure for each class of financial instrument is as follows:

	Parent		Group	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
Cash at bank and term deposits	328	422	737	3,745
Debtors and other receivables	53	84	838	17,709
Related party loans	-	9,250	-	-
Derivative financial instrument assets	-	-	-	-
Total credit risk	**381**	**9,756**	**1,575**	**21,454**

Credit quality of financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Parent		Group	
Counterparties with credit ratings	**2014 $000**	**2013 $000**	**2014 $000**	**2013 $000**
Cash at bank and term deposits:				
AA	328	422	737	3,745
AA-	-	-	-	-
Total cash at bank and term deposits	328	422	737	3,745
Derivative financial instrument assets:				
AA	-	-	-	-
AA-	-	-	-	-
Total derivative financial instrument assets	-	-	-	-
Counterparties without credit ratings				
Related party loans:				
Existing counterparty with no defaults in the past	-	9,250	-	-
Existing counterparty with defaults in the past	-	-	-	-
Total related party loans	-	9,250	-	-

Debtors and other receivables mainly arise from WDCHL's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. WDCHL and group has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers.

Liquidity risk

Management of liquidity risk
Liquidity risk is the risk that WDCHL will encounter difficulty raising liquid funds to meet commitments as they call due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. WDCHL aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, WDCHL maintains a target level of investments that must mature within the next 12 months. WDCHL manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy. These policies have been adopted as part of the WDC's Long Term Council Community Plan.

WDCHL has a maximum amount that can be drawn down against its borrowing facility of $18,000,000 (2013 $18,000,000). There are no restrictions on the use of this facility.

Notes to the Financial Statements

For the year ended 30 June 2014

Contractual maturity analysis of financial liabilities

The table below analyses WDCHL's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt is based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount and contractual cash flows $000	Less than 1 year $000	1-2 years $000	2-5 years $000
Parent 2014				
Creditors and other payables	216	216	-	-
Secured loans	11,418	2,883	2,574	5,961
Total	11,634	3,099	2,574	5,961
Group 2014				
Creditors and other payables	658	658	-	-
Secured loans	11,418	2,883	2,574	5,961
Total	12,076	3,541	2,574	5,961
Parent 2013				
Creditors and other payables	494	494	-	-
Secured loans	17,589	2,901	-	14,688
Total	18,083	3,395	-	14,688
Group 2013				
Creditors and other payables	5,863	5,863	-	-
Secured loans	17,589	2,901	-	14,688
Total	23,452	8,764	-	14,688

The table below analyses WDCHL's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Liability carrying amount $000	Contractual cash flows $000	Less than 6 months $000	Between 1 and 2 years $000	More than 2 years $000
Parent and group 2014					
Contracts:					
- inflow	519	519	-	24	495
Parent and group 2013					
Contracts:					
- inflow	1,225	1,225	-	100	1,126

Contractual maturity analysis of financial assets

The table below analyses WDCHL's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Carrying amount and contractual cash flows $000	Less than 1 year $000	1-2 years $000	More than 2 years $000
Parent 2014				
Cash and cash equivalents	328	328	-	-
Debtors and other receivables	53	53	-	-
Net settled derivative assets	-	-	-	-
Other financial assets	18,800	-	-	18,800
Total	19,181	381	-	18,800
Group 2014				
Cash and cash equivalents	737	737	-	-
Debtors and other receivables	838	838	-	-
Net settled derivative assets	-	-	-	-
Other financial assets	-	-	-	-
Total	1,575	1,575	-	-
Parent 2013				
Cash and cash equivalents	422	422	-	-
Debtors and other receivables	84	84	-	-
Net settled derivative assets	-	-	-	-
Other financial assets	18,800	-	-	18,800
Total	19,306	506	-	18,800
Group 2013				
Cash and cash equivalents	3,745	3,745	-	-
Debtors and other receivables	17,709	17,709	-	-
Net settled derivative assets	-	-	-	-
Other financial assets	-	-	-	-
Total	21,454	21,454	-	-

Notes to the Financial Statements

For the year ended 30 June 2014

Sensitivity analysis
The tables below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on WDCHL's financial instrument exposures at the balance date.

Parent

2014 $000		**- 100bps**		**+ 100bps**
Interest rate risk	**Profit**	**Other Equity**	**Profit**	**Other Equity**
Financial assets				
Cash and cash equivalents	(3)		3	
Derivatives	-		-	
Other financial assets	-		-	
Financial liabilities				
Borrowings:				
- bank overdraft	-		-	
- term loans	(128)		128	
Derivatives	(5)		5	
Total sensitivity to interest rate risk	(136)	-	136	-

Parent

2013 $000		**- 100bps**		**+ 100bps**
Interest rate risk	**Profit**	**Other Equity**	**Profit**	**Other Equity**
Financial assets				
Cash and cash equivalents	(4)		4	
Derivatives	-		-	
Other financial assets	-		-	
Financial liabilities				
Borrowings:				
- bank overdraft	-		-	
- term loans	(198)		198	
Derivatives	(12)		12	
Total sensitivity to interest rate risk	(214)	-	214	-

Notes to the Financial Statements

For the year ended 30 June 2014

Group

2014 $000		**- 100bps**		**+ 100bps**
Interest rate risk	**Profit**	**Other Equity**	**Profit**	**Other Equity**
Financial assets				
Cash and cash equivalents	(7)		7	
Derivatives	-		-	
Other financial assets	-		-	
Financial liabilities				
Borrowings:				
- bank overdraft	-		-	
- term loans	(128)		128	
Total sensitivity to interest rate risk	(135)	-	135	-

Group

2013 $000		**- 100bps**		**+ 100bps**
Interest rate risk	**Profit**	**Other Equity**	**Profit**	**Other Equity**
Financial assets				
Cash and cash equivalents	(37)		37	
Derivatives	-		-	
Other financial assets	-		-	
Financial liabilities				
Borrowings:				
- bank overdraft	-		-	
- term loans	(198)		198	
Total sensitivity to interest rate risk	(235)	-	235	-

27. Capital management

WDCHL's capital is its equity, which comprises retained earnings and reserves. Equity is represented by net assets. The Company is required to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the shareholder.

WDCHL has the following reserves: - Asset revaluation reserve
- Fair value through equity reserve.

The asset revaluation reserve represents any net upward revaluation of the gas distribution network and gas measurement system. Fair value through equity reserve represents any increase above cost in the market value of shares held.

Notes to the Financial Statements

For the year ended 30 June 2014

28. Discontinued operation

a) On 30 June 2013, TrustPower Limited acquired the assets and liabilities of Wanganui Gas No 1 Limited (formerly Energy Direct NZ Limited) including its customers. The purchase price was paid after 30 June 2013. The results of Wanganui Gas No 1 Limited have been classified as a discontinued operation as at 30 June 2013.

The Balance Sheet at 30 June 2013 includes the impact of TrustPower Limited's purchase of the assets of Wanganui Gas No 1 Limited at that date. The amount receivable by the Group is included in Debtors and Other Receivables.

The profit before tax from discontinued operations for the year ended 30 June 2013 of $15.901m includes the allocated reduction in the selling price of $1.35m which takes into account any liability in relation to the Nga Awa Purao Contract for Differences by Trustpower Limited and a termination fee of $0.982m for four Contracts for Differences held with Contract Energy Limited at 30 June 2013.

The profit before tax also reflects the gain on disposal of the assets of Wanganui Gas No 1 Limited of $14.922m

b) Financial Performance of Wanganui Gas No 1 Limited (formerly Energy Direct NZ Limited) for the year ended 30 June 2013.

	Parent		**Group**	
	2014	**2013**	**2014**	**2013**
	$000	**$000**	**$000**	**$000**
Sales	-	-	-	36,664
Cost of sales	-	-	-	29,315
Gross profit from trading	-	-	-	7,349
Finance income	-	-	-	8
Other revenue	-	-	-	1
Gains / (Losses) on disposal of assets	-	-	-	(84)
Gain on sale of intangible assets	-	-	-	15,006
Total income	-	-	-	22,280
Expenses				
Personnel costs	-	-	-	2,018
Depreciation and amortisation expense	-	-	-	235
Net change in fair value of CFDs	-	-	-	2,264
Other expenses	-	-	-	1,862
Total expenses	-	-	-	6,379
Surplus/(deficit)	-	-	-	15,901
Income tax expense/(benefit)			-	(35)
Surplus/(deficit) after tax from discontinued operations	**-**	**-**	**-**	**15,936**
Net cash flows from discontinued operations				
Operating activities	-	-	-	(5,652)
Investing activities	-	-	-	(13)
Financing activities	-	-	-	5,583
Total net cash flows from discontinued activities	-	-	-	(82)

Statement of service performance

For the year ended 30 June 2014

Wanganui District Council Holdings Limited

Objective

The Board intends to operate as a successful business in relation to its investments to the monitoring roles assigned to it under contract by WDC.

Performance targets

- *To break-even for the financial year*

	Budget 2013/14	**Actual 2013/14**	**Actual 2012/13**
Surplus/(deficit) before tax	$7,035,000	$7,477,000	$495,000
Dividend received	$7,850,000	$7,750,000	$200,000
Dividend paid	$2,429,000	$2,329,988	$0

Variance between actual and budget for 2014 was mainly the result of the revaluations of derivative financial instruments not budgeted for.

- *To facilitate Wanganui Gas Limited to achieve the performance targets identified in its Statement of Intent*

The directors have closely monitored the Wanganui District Council's investment in Wanganui Gas Limited, with three Directors of WDCHL, including the Chairman, sitting on the Wanganui Gas Limited's Board. The Board has facilitated the continuance of the Council's investment with variances to performance targets being monitored.

Objectives

- *The company aims to improve the long term value and financial return that WDC receives from its trading undertakings.*

WDCHL's directors have continued to closely monitor the company's progress and have aggressively advised on implementing new income streams and have taken advantage of risk mitigating courses of action.

- *Optimise financial and physical resources through close scrutiny of potential areas of inefficiency, waste or under–utilisation of capital.*

The Directors all have extensive and varied commercial experience which when combined provides a wide set of skills that can provide solutions to issues of inefficiency or under-utilisation of capital. This has been evidenced by our involvement in the shellrock venture at Waitaihanga, and working alongside Iwi to co-develop the shellrock reserve at Kaiwhiaki.

- *Provide prudent management of investments and timely, constructive professional advice regarding its position as shareholder in Wanganui Gas Limited, and any other subsidiary companies or undertakings.*

A review has been undertaken with the objective of streamlining the governance of the Holding Company. As a result of the review, it was decided to replicate the Directors of Wanganui Gas Limited onto the Board of Wanganui District Council Holdings Limited to provide for a more streamlined and co-ordinated governance model. In addition, WDCHL's directors sit on the Airport Management Board, worked along side external contractors with the Forestry portfolio, worked along side WDC staff with regard to property matters, including monitoring the Port operations, and investigated new commercial projects such as property development opportunities, shell rock extraction agreements.

- *Meet the expectations of WDC for quality, competitively priced strategic planning advice on investments and trading undertakings.*

The Board meets six-weekly to discuss its portfolio performance and the Chairman has reported to Council every meeting to update the Council on matters.

- *Review and advise on the strategies and plans of any subsidiary company, business unit or asset as requested by WDC.*

Board meetings are held on a six-weekly basis and include the Chief Executive of the Council which enables open communication regarding matters concerning the Council. Board papers include reports on each area under WDCHL's governance portfolio.

- *Be a good corporate citizen and exercising the appropriate level of social responsibility toward the community and the environment, consistent with the conduct of a sustainable and profitable business.*

WDCHL's Directors are experienced directors who have had significant training and experience in the operations of a Board and the concept of governance. The directors are aware of the responsibilities of local government as defined by the Local Government Act 2002 and carry out their decision making with the benefits to the ratepayers of the Wanganui District in the forefront.

Wanganui Gas Limited

Statement of Intent

Wanganui Gas Limited ("the Company") is a Council Controlled Trading Organisation established under the Local Government Act 2002.

The Statement of Intent for 2013/14 sets out the overall intentions and objectives of Wanganui Gas Limited for the three financial years beginning 1 July 2014.

Objectives

The Directors intend that the Company operate as a successful business and be at least as profitable and efficient as other energy companies.

The Company aims to achieve a reasonable rate of return from its subsidiary companies (GasNet Limited and Wanganui Gas No 1 Ltd (formerly Energy Direct NZ Limited)) and to provide a satisfactory dividend to its shareholder after retaining adequate earnings for future business requirements.

Activities

The Company's core businesses are those of providing gas traders with safe, efficient and reliable gas distribution services through the Company's networks and the retailing of energy to our customers.

Performance Targets and Assessment

The performance of the Company will be judged against the following measures:

Strategic Plan
Develop and annually review an outline on the future direction of the Company and the strategies required to achieve it.

Reporting
To provide timely monthly reports to management and the Shareholder covering the trading activities undertaken by the Company.

To provide an unaudited interim financial statement for the six months to 31 December to the Shareholder by the end of February.

To provide an audited Annual Report to the Shareholder by the end of September.

Timely Response

To provide timely advice to the Shareholder on any significant developments that may have an impact on either the income stream or the value of the business. To inform the Shareholder of any issues that are controversial, likely to be discussed in the public arena or might otherwise impact on the accountabilities and responsibilities of the Shareholder.

Assessment

The Company is of the opinion that its performance has been satisfactory, being within acceptable margins for those performance measures not meeting budget. The Group continues to exercise tight cost controls.

The Board has met on six occasions during the financial year 2013/14. At these meetings the Company has reported on the above matters. In addition, substantial informal contact has been maintained between the Chairman, the Directors and the Shareholder in regard to all the above issues.

Financial Performance (Including discontinued operations)

Year Ended 30 June	**Actual 2014 $000**	**Budget 2014 $000**	**Actual 2013 $000**
Revenue	5,382	5,571	39,401
Net Surplus / (Deficit) before tax	2,165	771	-281
Net surplus/deficit after Tax to average Shareholders' funds.	5.35%	1.71%	-1.10%
Earnings before interest and tax to average Assets.	5.30%	5.04%	1.70%
Cash flow surplus / (Deficit)	(2,914)	(240)	(5,133)
Payment of interest to shareholder	299	1,919	1,230