Whanganui District Council Holdings Limited

Annual Report

For the year ended 30 June 2016

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Registered office	Whanganui District Council 101 Guyton Street Whanganui Telephone (06) 349 0001 Fax (06) 349 0000 email wdc@whanganui.govt.nz
Postal address	PO Box 637 Whanganui
Directors	Matthew Doyle (Chairman) Annette Main Rob Vinsen Harvey Green Peter Hazledine
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Whanganui
Solicitors	Kensington Swan
Shareholding as at 30 June 2016	Whanganui District Council 100%

Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2016. 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 2013 there have been no transactions within Whanganui Port Limited.

The Company also owns 100% of the share capital of New Zealand International Commercial Pilot Academy Limited – this is a new business activity of the company during the financial year.

Results

The Directors report a parent tax paid loss of $176,695 for the year ended 30 June 2016. Equity at the end of the year was $8,205,000.

Dividends

No dividends were paid during the year (2015: $nil).

Directors and their remuneration

Directors fees paid by the parent company during the year were as follows:

Matthew Doyle (Chairman)	nil
Annette Main	$10,000
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, Whanganui 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 $16,648.

Donations

There were no donations for the year (2015 $nil).

Employee Remuneration

There were no employees who received total remuneration benefits of more than $100,000 per annum (2015 nil).

Directors' Interests

The Directors have made the following declarations of interest:

Director	Interest
Matthew Doyle (Chairman)	Wanganui District Council Holdings Limited Doyle & Associates The Accountants Limited Wanganui Gas Limited OTL Limited Gasnet Limited Wanganui Gas No 1 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

Matthew Doyle
Director

Harvey Green
Director

Chairman's Report

I am pleased to report on the activities for the Whanganui District Council Holdings Limited (WDCHL) for the 2016 year. The Board consists of the following Directors:

- Matthew Doyle, Chair
- Rob Vinsen
- Annette Main
- Harvey Green
- Peter Hazledine

The Board has continued to operate with each of the Directors taking responsibility for a selected area of business and working in conjunction with Whanganui 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	Harvey Green	Matthew Doyle	
Forestry & Quarrying	Harvey Green	Rob Vinsen	
Gas	Matthew Doyle	Harvey Green	Peter Hazledine
Property	Harvey Green	Rob Vinsen	
Port	Annette Main	Rob Vinsen	
Flight School	Harvey Green	Matthew Doyle	

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

Major Strategic Initiatives

Flight School
The Company fulfilled the obligations of the WDC Annual Plan and set up a new wholly owned subsidiary for the purpose of purchasing the Manawatu Flight School. This purchase occurred on the 7^{th} of September 2016, and we were very pleased with the appointment of a suitably qualified CEO who started employment in Jan 2016. The flight school has operated successfully over the past 9 months are we are looking forward to the school moving to Whanganui in 2017.

Port
The Holding Company continued to develop the Port Business Development Plan in conjunction with Tupoho Investments Limited and the WDC. The rebuilding and strengthening of Wharf #1 has now been completed and that the Government as part of its Accelerate 25 Regional Development initiative would invest $0.5 million behind stage one of the development a marine precinct development. This provides for an exciting 2016 / 2017 year ahead for the Port and its long term development.

Gas
Wanganui Gas had a strong and consistent year. The Company has commenced network development in Papamoa. This represents a significant growth opportunity for the Company over the next few years.

Forestry
The Forestry asset has been prepared for sale as an outcome of a Council review. This sale process has been contracted to Forestry sale experts and we look to the conclusion of the sale process at the end of this calendar year. Depending on the level of market interest and tendered sale price will determine if such a sale will procced.

Airport
We have seen Air New Zealand cease services from the Airport, which was most unfortunate, however we have received support and a replacement service from Air Chattams. This has been a very welcomed service and we have been very supportive to them to retain these services for the Whanganui travelling public.

I would like to express my appreciation to my fellow Directors for the considerable effort they have made to make the 2015/16 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 and Kym Fell in their roles as WDC Chief Executive, as well Allan, Phil, Mike, Rowan and 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 2016

		Parent		Group	
		2016	2015	2016	2015
	Note	$000	$000	$000	$000
Income					
Sales		-	-	7,309	5,636
Cost of sales		-	-	1,194	-
Gross profit from trading		-	-	6,115	5,636
Finance income	1	805	763	36	46
Other revenue	2	833	814	863	941
Gains/(Losses)	3	(167)	(227)	(167)	(227)
Total income		1,471	1,350	6,846	6,396
Expenses					
Personnel costs	4	152	148	1,510	1,277
Depreciation and amortisation expense		90	63	1,272	1,226
Finance costs	1	932	932	891	932
Subvention payment		-	-	800	1,250
Other expenses	5	473	484	1,742	1,338
Total expenses		1,646	1,627	6,215	6,023
Surplus/(deficit) before tax		**(175)**	**(277)**	**631**	**373**
Income tax expense	6			230	116
Surplus/(deficit) after tax		**(175)**	**(277)**	**402**	**257**
Other comprehensive income					
Asset revaluation movement		-	-	-	-
Income tax re components of other comprehensive income		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income		**(175)**	**(277)**	**402**	**257**
Attributable to					
Whanganui District Council Holdings Limited		(175)	(277)	402	257
		(175)	**(277)**	**402**	**257**

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2016

	Note	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Balance at 1 July		8,382	8,659	26,030	25,773
Comprehensive income					
Surplus/(deficit) after tax from continuing operations		(175)	(277)	402	257
Other comprehensive income		-	-	-	-
Total comprehensive income		(175)	(277)	402	257
Attributable to					
Whanganui District Council Holdings Limited		(175)	(277)	402	257
Transactions with shareholders					
Repurchase of shares		-	-	-	-
Dividends paid		-	-	-	
Equity as at 30 June		**8,207**	**8,382**	**26,432**	**26,030**

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2016

	Note	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Assets					
Current assets					
Cash and cash equivalents	**7**	387	362	1,788	1,432
Debtors and other receivables	**8**	74	48	1,021	878
Taxation refund		-	-	-	21
Other financial assets	**11**	539	-	-	-
Inventories	**10**	-	-	266	231
		1,000	410	3,075	2,562
Non-current assets					
Other financial assets	**11**	18,800	18,800		-
Property, plant and equipment	**12**	1,141	724	32,791	32,416
Intangible assets	**13**	2,226	2,226	2,305	2,332
Goodwill on consolidation	**13**	-	-	9,749	9,353
		22,166	21,750	44,845	44,101
Total assets		**23,167**	**22,160**	**47,920**	**46,663**
Liabilities					
Current liabilities					
Creditors and other payables	**14**	327	263	904	663
Employee entitlements	**15**	21	20	109	71
Tax payable		-	-	498	471
Derivative financial instruments	**9**	58	29	58	29
Borrowings	**16**	3,950	3,000	3,000	3,000
		4,356	3,312	4,569	4,234
Non-current liabilities					
Borrowings	**16**	9,750	9,750	9,750	9,750
Derivative financial instruments	**9**	854	716	854	716
Deferred payments for goodwill				200	
Deferred tax	**6**	-	-	6,115	5,934
		10,604	10,466	16,919	16,400
Total liabilities		**14,960**	**13,778**	**21,488**	**20,634**
Net assets		**8,207**	**8,382**	**26,432**	**26,030**
Equity	**17**				
Share capital		7,846	7,846	7,846	7,846
Retained earnings		361	536	13,065	12,663
Fair value through equity reserve		-	-	-	-
Asset revaluation reserve		-	-	5,521	5,521
		8,207	**8,382**	**26,432**	**26,030**

For and on behalf of the Board

Mathew Doyle
Director

Harvey Green
Director

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2016

	Note	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Cash flows from operating activities					
Receipts from customers		816	816	8,187	6,547
Interest received		5	13	36	46
Dividends received		800	750	-	-
Payments to suppliers and employees		(602)	(588)	(4,396)	(2,638)
GST (net)		14	(2)	64	(18)
Taxes paid		(2)	(1)	(1)	(1)
Subvention payment		-	-	(800)	(1,250)
Interest paid		(910)	(924)	(918)	(924)
Net cash from operating activities	**18**	**121**	**64**	**2,172**	**1,762**
Cash flows from investing activities					
Sale of fixed assets and investments		-	-	-	-
Sale of intangibles		-	-	-	-
Purchase of intangibles		-	-	(428)	(85)
Sale of interest rate swaps		-	-	-	-
Purchase of fixed assets and investments		(507)	(30)	(1,389)	(982)
Net cash from investing activities		**(507)**	**(30)**	**(1,817)**	**(1,067)**
Cash flows from financing activities					
Proceeds from borrowings		-	-	1	-
Advances to subsidiaries		(539)	-	-	-
Proceeds from borrowings		950	-	-	-
Repurchase of shares		-	-	-	-
Dividends paid		-	-	-	-
Net cash from financing activities		**411**	**-**	**1**	**-**
Net (decrease) / increase in cash and cash equivalents		**25**	**34**	**356**	**695**
Cash and cash equivalents at the beginning of the year		362	328	1,432	737
Cash and cash equivalents at the end of the year		**387**	**362**	**1,788**	**1,432**

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 2016

REPORTING ENTITY

Whanganui District Council Holdings Limited (WDCHL) is a company formed in accordance with and registered under the Companies Act 1993. WDCHL is controlled by Whanganui 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 subsidiaries, Wanganui Gas Limited and New Zealand International Commercial Pilot Academy (NZICPA) which are 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. NZICPA was acquired at the start of the Financial Year and it is consolidated for the first time into the Group accounts.

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 2016. The financial statements were authorised for issue by the Board of Directors on 30 September 2016.

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.

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.

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 statement of comprehensive income.

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 is also derived from the wash up of energy sales and recovery of debtors previously written off. Such revenue is recognised when earned and is reported in the financial period to which it relates.

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 statement of comprehensive income 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.

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 statement of comprehensive income. 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).

Financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through the statement of comprehensive income in which case the transaction costs are recognised in the statement of comprehensive income.

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 the statement of comprehensive income, 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 the statement of comprehensive income 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 statement of comprehensive income.

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 statement of comprehensive income.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the statement of comprehensive income.

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 statement of comprehensive income. 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.

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 statement of comprehensive income.

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 statement of comprehensive income in the period of the write-down.

Capital contributions

Where the Company constructs assets at its own cost and receives a cash payment from a third party as part, or full payment for the development of such assets, the Company recognises the asset at the cost incurred to construct the asset and recognises the cash received as revenue.

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 statement of comprehensive income.

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 statement of comprehensive income. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income 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 statement of comprehensive income. 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
Aircraft	10% SL
Simulators	8-40% 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".

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 statement of comprehensive income when incurred.

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

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 statement of comprehensive income.

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

Computer software	3 years	33%

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. In assessing value in use the estimated cashflows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks to the specific asset.

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 statement of comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

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 statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the statement of comprehensive income.

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.

Presentation of employee entitlements
Annual leave expected to be settled within 12 months of balance date is 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

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 statement of comprehensive income, and carrying amount of the asset in the statement of financial position. WDCHL minimises the risk of this estimation uncertainty by:

- 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.

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:

- 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 2016

1. Finance income and finance costs

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Finance income				
Interest income				
- from term loans	5	13	36	46
- from hire purchase	-	-	-	-
Dividend income	800	750	-	-
Total finance income	**805**	**763**	**36**	**46**
Finance costs				
Interest paid on fixed loans	932	932	891	932
Total finance costs	**932**	**932**	**891**	**932**

2. Other revenue

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Management fees	60	60	60	60
Contracting revenue	81	92	89	136
Grants - Council Harbour Endowment	532	509	537	509
Rental income	147	146	147	146
Sundry revenue	13	7	30	90
Total other revenue	**833**	**814**	**863**	**941**

3. Gains/(Losses)

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Non-financial instruments				
Property plant and equipment gains/(losses) on disposal	-	-	-	7
Total non-financial instruments gains/(losses)	**-**	**-**	**-**	**7**
Financial assets				
Gains/(Losses) from movements in financial assets carried at fair value	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**
Financial instruments				
Gains/(losses) from derivative financial instruments	(167)	(227)	(167)	(227)
Total financial instruments gains/(losses)	**(167)**	**(227)**	**(167)**	**(227)**
Total gains/(losses)	**(167)**	**(227)**	**(167)**	**(227)**

4. Personnel costs

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Salaries and wages	152	143	1,525	1,327
Employer contributions to superannuation	-	-	28	30
Other personnel costs	-	-	62	45
Increase/(decrease) in employee entitlements/liabilities	-	5	1	(18)
Less capitalised labour	-	-	(106)	(106)
Total personnel costs	**152**	**148**	**1,510**	**1,278**

Notes to the Financial Statements

For the year ended 30 June 2016

5. Other expenses	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Fees to principal auditor:				
- audit fees for financial statement audit	16	16	64	64
- audit related fees for disclosure regulations	-	-	46	43
Impairment of receivables	-	-	91	5
Directors' fees	20	20	143	143
Rental and operating lease costs	-	-	81	78
Other operating costs	437	448	1,317	1,005
Total operational expenses	**473**	**484**	**1,742**	**1,338**

6. Tax	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Components of tax expense				
Current tax expense	-	-	490	469
Deferred tax on temporary differences			180	(353)
Prior period adjustment	-	-	(440)	
Income tax expense	**-**	**-**	**230**	**116**
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	(175)	(277)	631	373
Tax @ 28%	(49)	(78)	177	104
Non-taxable income	(224)	(210)	-	-
Non-deductible expenditure	-	-	()	-
Deferred tax not recognised	271	288	-	-
Deferred tax adjustment	-	-	494	33
Prior period adjustment	1	-	(440)	(21)
Total tax expense	**-**	**-**	**230**	**116**

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 2014	6,884	(196)	(401)	6,287
Charged to profit and loss	(76)	(63)	(214)	(353)
Charged to equity	-	-	-	-
Balance 30 June 2015	6,809	(259)	(615)	5,935
Charged to profit and loss	(41)	(12)	233	180
Charged to equity	-	-	-	-
Balance 30 June 2016	**6,768**	**(271)**	**(382)**	**6,115**

The parent has not recognised a deferred tax asset in relation to temporary differences of $752,395 (2015: $584,456) and tax losses of $1,360,120 (2015: $2,197,272). The group has recognised these deferred tax assets.

The group's tax liability for 2015 was reduced by a tax offset of $1,595,000 transferred from WDCHL to the WGL group.

Notes to the Financial Statements

For the year ended 30 June 2016

7. Cash and cash equivalents	**Parent**		**Group**	
	2016	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Cash at bank and on hand	387	362	1,788	1,432
Term deposits with maturities less than 3 months	-	-	-	-
Total cash and cash equivalents	**387**	**362**	**1,788**	**1,432**

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**		**Group**	
	2016	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Trade debtors	63	48	898	984
Amounts due from related parties (Note 21)	6	-	6	-
Other receivables	6	-	119	55
Less provision for impairment	(1)	()	(1)	(161)
Total debtors and other receivables	**74**	**48**	**1,021**	**878**

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 2016 and 2015 are detailed below:

		2016	
	Gross	**Impairment**	**Net**
	$000	**$000**	**$000**
Parent			
Not past due	39	-	39
Past due 1-60 days	13	-	13
Past due 61-120 days	3	-	3
Past due > 120 days	20	(1)	19
Total	**75**	**(1)**	**74**

		2015	
	Gross	**Impairment**	**Net**
	$000	**$000**	**$000**
Parent			
Not past due	8	-	8
Past due 1-60 days	9	-	9
Past due 61-120 days	9	-	9
Past due > 120 days	22	()	22
Total	**48**	**()**	**48**

		2016	
	Gross	**Impairment**	**Net**
	$000	**$000**	**$000**
Group			
Not past due	986	-	986
Past due 1-60 days	13	-	13
Past due 61-120 days	3	-	3
Past due > 120 days	20	(1)	19
Total	**1,022**	**(1)**	**1,021**

		2015	
	Gross	**Impairment**	**Net**
	$000	**$000**	**$000**
Group			
Not past due	738	-	738
Past due 1-60 days	9	-	9
Past due 61-120 days	9	-	9
Past due > 120 days	283	(160)	123
Total	**1,039**	**(160)**	**879**

Notes to the Financial Statements

For the year ended 30 June 2016

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		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Collective impairment	-	-	-	-
Individual impairment	1		1	160
Total provision for impairment	**1**		**1**	**160**

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

	Parent		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
At 1 July	()	1	160	156
Additional provisions made during the year	1	-	1	5
Provisions reversed during the year	-	(1)	(160)	(1)
Receivables written-off during period	-	-	-	-
At 30 June	**1**	**()**	**1**	**160**

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

9. Derivative financial instruments

	Parent		Group	
	2016	2015	2016	2015
	$000	$000	$000	$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	(58)	(29)	(58)	(29)
	(58)	**(29)**	**(58)**	**(29)**
Non-current liability portion				
Interest rate swaps - fair value hedges	(854)	(716)	(854)	(716)
	(854)	**(716)**	**(854)**	**(716)**
Total derivative financial instrument liabilities	**(912)**	**(745)**	**(912)**	**(745)**

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 $7,500,000 (2015 $9,000,000) and for the Group were $7,500,000 (2015 $9,000,000). At 30 June 2016, the fixed interest rates of cash flow hedge interest rate swaps vary from 4.46% to 6.29% (2015 5.02% to 6.29%).

10. Inventories

	Parent		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Held for distribution/Commercial inventories				
Network	-	-	266	231
Other	-	-	-	-
Group Total inventories	**-**	**-**	**266**	**231**

Group Inventories are pledged as security for liabilities $266,393 (2015 $230,839). There has been no write-down of commercial inventories t net realisable value (2015 nil).

Notes to the Financial Statements

For the year ended 30 June 2016

11. Other financial assets	Parent		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Current portion				
Loans to related parties (NZICPA)	539	-	-	-
	539	**-**	**-**	**-**
Non-current portion				
Shares in subsidiaries (cost)	18,800	18,800	-	-
Loans to related parties	-	-	-	-
	18,800	**18,800**	**-**	**-**
Total other financial assets	**19,339**	**18,800**	**-**	**-**

Fair value

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

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 had been carried at cost less depreciation. A revaluation at 30 June 2013 increased the carrying value of the Infrastructural assets by $7.668 million. The revaluation was completed using a discounted cashflow methodology. A peer review was undertaken by Geoff Whitlock from Markham and Partners.

Assets are pledged as security for liabilities at a group level.

Notes to the Financial Statements

For the year ended 30 June 2016

12. Property, plant and equipment

Holdings 2016	Cost / valuation 1 July 2015 $000	Accumulated depreciation and impairment charges 1 July 2015 $000	Carrying amount 1 July 2015 $000	Current year additions $000	Current year disposals $000	Current year impairment charges $000	Current year depreciation $000	Accumulated Depreciation eliminated on disposals and revaluations $000	Revaluation movement $000	Cost / revaluation 30 June 2016 $000	Accumulated depreciation and impairment charges 30 June 2016 $000	Carrying amount 30 June 2016 $000
Operational assets:												
Buildings	331	(30)	302	-	-	-	(7)	-	-	331	(37)	294
Vehicles	4	(3)	1	8	-	-	(1)	-	-	12	(4)	8
Office equipment	17	(10)	7	6	-	-	(3)	-	-	23	(13)	10
Furniture and fittings	3	(2)	1	-	-	-	()	-	-	3	(2)	1
Plant and equipment	565	(153)	412	98	-	-	(44)	-	-	663	(197)	466
Computer hardware	4	(3)	1	-	-	-	(1)	-	-	4	(4)	
Aircraft	-	-	-	314	-		(25)	-	-	314	(25)	289
Simulators	-	-	-	80	-		(7)	-	-	80	(7)	73
Total	**924**	**(201)**	**724**	**506**	**-**	**-**	**(88)**	**-**	**-**	**1,430**	**(289)**	**1,141**

Group 2016	Cost / valuation 1 July 2015 $000	Accumulated depreciation and impairment charges 1 July 2015 $000	Carrying amount 1 July 2015 $000	Current year additions $000	Current year disposals $000	Current year impairment charges $000	Current year depreciation $000	Accumulated Depreciation eliminated on disposals and revaluations $000	Revaluation movement $000	Cost / revaluation 30 June 2016 $000	Accumulated depreciation and impairment charges 30 June 2016 $000	Carrying amount 30 June 2016 $000
Infrastructural assets:												
Distribution network	29,141	(1,587)	27,554	666	-	-	(809)	-	-	29,807	(2,396)	27,411
Work in Progress	-	-	-	116	-	-	-			116	-	116
Gas measurement system	4,346	(467)	3,879	203	-	-	(248)	-	-	4,549	(715)	3,834
Operational assets:												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	331	(30)	301	-	-	-	(7)	-	-	331	(37)	294
Leasehold improvements	163	(107)	56	-	(1)	-	(14)	1	-	162	(120)	42
Vehicles	240	(178)	62	50	-	-	(23)	-	-	290	(201)	89
Office equipment	26	(12)	14	7	(1)	-	(4)	1	-	32	(15)	17
Furniture and fittings	19	(10)	9	1	(1)	-	(2)	1	-	19	(11)	8
Plant and equipment	831	(333)	498	138	-	-	(68)	-	-	969	(401)	568
Computer hardware & software	105	(101)	4	12	(13)	-	(4)	13	-	104	(92)	12
Aircraft	-	-	-	314	-	-	(25)	-	-	314	(25)	289
Simulators	-	-	-	80	-	-	(7)		-	80	(7)	73
Total	**35,241**	**(2,825)**	**32,416**	**1,587**	**(16)**	**-**	**(1,211)**	**16**	**-**	**36,812**	**(4,020)**	**32,792**

Notes to the Financial Statements

For the year ended 30 June 2016

12. Property, plant and equipment cont...

Holdings 2015	Cost / valuation 1 July 2014 $000	Accumulated depreciation and impairment charges 1 July 2014 $000	Carrying amount 1 July 2014 $000	Current year additions $000	Current year disposals $000	Current year impairment charges $000	Current year depreciation $000	Accumulated Depreciation eliminated on disposals and revaluations $000	Revaluation movement $000	Cost / revaluation 30 June 2015 $000	Accumulated depreciation and impairment charges 30 June 2015 $000	Carrying amount 30 June 2015 $000
Operational assets:												
Buildings	331	(23)	308	-	-	-	(7)	-	-	331	(30)	302
Vehicles	4	(2)	2	-	-	-	(1)	-	-	4	(3)	1
Office equipment	17	(7)	10	-	-	-	(3)	-	-	17	(10)	7
Furniture and fittings	3	(1)	2	-	-	-	(1)	-	-	3	(2)	1
Plant and equipment	535	(103)	432	30	-	-	(50)	-	-	565	(153)	412
Computer hardware	4	(2)	2	-	-	-	(1)	-	-	4	(3)	1
Total	**894**	**(138)**	**756**	**30**	**-**	**-**	**(63)**	**-**	**-**	**924**	**(201)**	**724**

Group 2015	Cost / valuation 1 July 2014 $000	Accumulated depreciation and impairment charges 1 July 2014 $000	Carrying amount 1 July 2014 $000	Current year additions $000	Current year disposals $000	Current year impairment charges $000	Current year depreciation $000	Accumulated Depreciation eliminated on disposals and revaluations	Revaluation movement $000	Cost / revaluation 30 June 2015 $000	Accumulated depreciation and impairment charges 30 June 2015 $000	Carrying amount 30 June 2015 $000
Infrastructural assets:												
Distribution network	28,549	(788)	27,761	592	-	-	(799)	-	-	29,141	(1,587)	27,554
Gas measurement system	4,012	(229)	3,783	334	-	-	(238)	-	-	4,346	(467)	3,879
Operational assets:												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	331	(23)	308	-	-	-	(7)	-	-	331	(30)	301
Leasehold improvements	163	(93)	70	-	-	-	(14)	-	-	163	(107)	56
Vehicles	240	(151)	89	-	-	-	(27)	-	-	240	(178)	62
Office equipment	26	(8)	18	-	-	-	(4)	-	-	26	(12)	14
Furniture and fittings	12	(9)	3	7	-	-	(1)	-	-	19	(10)	9
Plant and equipment	785	(261)	524	46	-	-	(72)	-	-	831	(333)	498
Computer hardware & software	101	(87)	14	4	-	-	(14)	-	-	105	(101)	4
Total	**34,258**	**(1,649)**	**32,609**	**983**	**-**	**-**	**(1,176)**	**-**	**-**	**35,241**	**(2,825)**	**32,416**

Notes to the Financial Statements

For the year ended 30 June 2016

13. Intangible assets

	WDCHL goodwill $000	Group software $000	Group goodwill $000	Group total $000
Movements for each class of intangible asset are as follows:				
Balance at 1 July 2015				
Cost	2,226	383	9,353	11,961
Accumulated amortisation and impairment	-	(277)	-	(277)
Opening carrying amount	2,226	106	9,353	11,684
Year ended 30 June 2016				
Additions	-	31	396	427
Disposals (cost)	-	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-	-
Amortisation charge	-	(57)	-	(57)
Closing carrying amount	2,226	80	9,749	12,054
Balance at 30 June 2016				
Cost	2,226	413	9,749	12,388
Accumulated amortisation and impairment	-	(334)	-	(334)
Closing carrying amount	**2,226**	**80**	**9,749**	**12,055**
Balance at 1 July 2014				
Cost	2,226	297	9,353	11,876
Accumulated amortisation and impairment	-	(227)	-	(227)
Opening carrying amount	2,226	70	9,353	11,649
Year ended 30 June 2015				
Additions	-	86	-	86
Disposals (cost)	-	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-	-
Amortisation charge	-	(50)	-	(50)
Closing carrying amount	2,226	106	9,353	11,685
Balance at 30 June 2015				
Cost	2,226	383	9,353	11,961
Accumulated amortisation and impairment	-	(277)	-	(277)
Closing carrying amount	**2,226**	**106**	**9,353**	**11,684**

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 and NZICPA inthe books of WDCHL.

14. Creditors and other payables

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Trade payables and other accrued expenses	48	50	436	347
Amounts due to related parties (note 21)	127	54	178	54
GST	25	13	129	74
Accrued interest expenses	127	146	161	188
	327	**263**	**904**	**663**

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 2016

15. Employee entitlements	**Parent**		**Group**	
	2016	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Current portion				
Accrued pay	2	1	31	8
Annual leave	19	19	75	60
Sick leave	-	-	3	3
Retirement and long service	-	-	-	-
Total current portion	21	20	109	71
Non-current portion				
Retirement and long service	-	-	-	-
Total non-current portion	-	-	-	-
Total employee entitlements	**21**	**20**	**109**	**71**

16. Borrowings	**Parent**		**Group**	
	2016	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Current portion				
Secured loans	3,950	3,000	3,000	3,000
Finance leases	-	-	-	-
Total current portion	3,950	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	7,000	7,000	7,000
Finance leases	-	-	-	-
Total non-current portion	9,750	9,750	9,750	9,750
Total borrowings	**13,700**	**12,750**	**12,750**	**12,750**

Secured loans

WDCHL's secured debt of $13,700,000 (2015 $12,750,000) 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 (2015 $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 2017.

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**	
	2016	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Total Secured loans Parent	13,700	12,750	12,509	11,629
Total Secured loans Group	12,750	12,750	11,601	11,629

Notes to the Financial Statements

For the year ended 30 June 2016

17. Equity

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Share capital				
Balance at 1 July	7,846	7,846	7,846	7,846
Shares cancelled	-	-	-	-
Balance at 30 June	7,846	7,846	7,846	7,846
Retained earnings				
Balance at 1 July	536	813	12,663	12,406
Surplus/(deficit) for the year	(175)	(277)	402	257
Share repurchase	-	-	-	-
Shares cancelled	-	-	-	-
Dividends paid	-	-	-	
Balance at 30 June	361	536	13,065	12,663
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	5,521
Revaluation gains/(losses)	-	-	-	-
Deferred tax on revaluation	-	-	-	-
Balance at 30 June	-	-	5,521	5,521
Distribution network	-	-	-	-
Gas measurement system	-	-	-	-
Balance at 30 June	-	-	-	-

Share capital
Authorised shares 31,945,700 (2015: 31,945,700)
As at 30 June 2016 WDCHL has 7,845,800 shares issued and fully paid up (2015: 7,845,800). 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 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Surplus/(deficit) after tax	**(175)**	**(277)**	**402**	**257**
Add/(less) non-cash items:				
Depreciation and amortisation expense	90	63	1,272	1,226
(Gains)/losses from derivative financial instruments	167	227	167	227
Other non-cash items	-	-	-	471
	81	13	1,841	2,181
Add/(less) items classified as investing or financing activities:				
Increase/(decrease) in deferred tax	-	-	181	(353)
	-	-	181	(353)
Add/(less) movements in working capital items:				
Accounts receivable	(26)	5	(142)	(34)
Inventories	-	-	(35)	(28)
Accounts payable	65	45	241	(5)
Income tax payable	-	-	48	-
Employee entitlements	1	1	38	1
	40	51	150	(66)
Net cash inflow/(outflow) from operating activities	**121**	**64**	**2,172**	**1,762**

Notes to the Financial Statements

For the year ended 30 June 2016

19. Capital commitments and operating leases

The company has no capital commitments as at 30 June 2016 (2015 nil).

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Operating leases				
Not later than one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Greater than five years	-	-	-	-

20. Contingencies

At 30 June 2016 there are no contingent liabilities or assets (2015 nil).

21. Related party transactions

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

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Whanganui District Council				
Loans to WDCHL	2,750	2,750	2,750	2,750
Port Grant provided to WDCHL	532	509	532	509
Services provided by WDC	42	42	334	42
Interest paid to WDC	206	206	206	206
Management fees paid to WDCHL	60	60	60	60
Dividend paid from WDHCL	-	-	-	-
Transfer of SWAPs from WDCHL	-	-	-	-
Repurchase of shares from WDC	-	-	-	-
Accounts payable to WDC	86	54	177	54
Accounts receivable from WDC	6	-	6	-
Subvention payment to Whanganui District Council			800	(1,250)
Services provided to WDC	39		39	
Wanganui Gas Limited				
Interest paid to WDCHL	-	-	-	-
Loan advance to WDCHL	950	-	-	-
Amounts payable to WGL	-	-	-	-
Dividend paid to WDCHL	800	750	-	-
Interest paid to WGL	41	-	-	
NZICPA				
Loan advance from WDCHL	539		-	
Grant from WDCHL	5		-	
Rental of Planes and simulators	40		-	
Consultancy fees paid to directors during the year were				
Matthew Doyle	45	30	45	30
Harvey Green	14	5	14	5

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 $1,505 (2015 $4,575), Petrosell Wanganui Ltd $nil (2015 $5,750) and Wanganui Gas $41,244.

Notes to the Financial Statements

For the year ended 30 June 2016

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Key management personnel compensation				
Salaries and short term employee benefits	20	20	409	409
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
	20	**20**	**409**	**409**

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 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $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)	-	-	60	60
Rob Vinsen (WDCHL director)	10	10	10	10
Annette Main (WDCHL director)	10	10	10	10
Harvey Green (WDCHL and WGL director)	-	-	31	31
Peter Hazledine (WGL and WDCHL director)	-	-	31	31
	20	**20**	**142**	**142**

Directors fees for M Doyle, P Hazledine & H Green were paid through Wanganui Gas Limited.

23. Events after the balance date

There have been no material events since balane date. (2015:In September 2015 the Company purchased the Manawatu Flight School.)

24. Financial instruments

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

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Financial assets				
Fair value through profit and loss - held for trading				
Derivative financial instrument assets	912	-	912	-
Loans and receivables				
Cash and cash equivalents	387	362	1,788	1,432
Debtors and other receivables	74	48	1,021	878
Other financial assets:				
- term deposits	-	-	-	-
- loans to related parties	-	-	-	-
Held to maturity				
Fair value through equity				
Other financial assets:				
- listed shares	-	-	-	-
Financial liabilities				
Financial liabilities at amortised cost				
Creditors and other payables	327	263	904	662
Borrowings:				
- secured loans	13,700	12,750	12,750	12,750
Fair value through comprehensive income				
- net change in fair value of CFDs	-	-	-	-

Statement of service performance

For the year ended 30 June 2016

Whanganui District Council Holdings Limited

Objectives

1.1 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.

The directors have closely monitored the performance of both its own investments and those assigned to it by WDC. The Board has worked with WDC staff to monitor current investment and develop new investment opportunities, with regular feedback being provided to its shareholder.

1.2 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.

1.2.1 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.

1.2.2 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.

In 2014, as a result of the review, it was decided to replicate the Directors of Wanganui Gas Limited onto the Board of Whanganui 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, and the purchase of a flight school.

1.2.3 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.

1.2.4 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.

1.2.5 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 Whanganui District in the forefront in addition to ensuring the sustainability and profitability of the business.

Performance targets

2 To break-even for the financial year

	Budget 2015/16	**Actual 2015/16**	**Actual 2014/15**
Surplus/(deficit) after dividends	$1,420	($177,000)	($277,000)
Dividend received	$1,600,000	$800,000	$750,000
Dividend paid	$800,000	$0	$0

The directors of Wanganui Gas Ltd resolved to pay a subvention payment of $800,000 directly to Whanganui District Council instead of paying this as a dividend to WDCHL. This, together with unbudgeted revaluations of derivative financial instruments were the main reasons for the variance between actual and budget for 2016.

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

The directors have closely monitored the Whanganui 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.

Wanganui Gas Limited

Statement of Intent

Wanganui Gas Limited ("the Company") is an Energy Company established under the Energy Companies Act 1992.

The Statement of Corporate Intent sets out the overall intentions and objectives of Wanganui Gas Limited for the three financial years beginning 01 July 2015.

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 and metering services through the Company's networks.

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. A subvention payment was made directly to WDC which reduced the EBITDA figure by $800,000. The Group continues to exercise tight cost controls.

The Board has met on eight occasions during the financial year 2015/16. 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

	Group Actual	Group Actual	Target
Year Ended 30 June	**2015/16**	**2014/15**	**2015/16**
	$000	**$000**	**$000**
EBITDA	$2.88M	$2.56M	$3.79M
Return on Shareholder funds*	6.1%	3.8%	8.0%
Subvention Payment to WDC	$0.80M	$1.25M	0
Payments to shareholder	$0.80M	$0.75M	$1.55M

* A subvention payment of $800K was paid direct to WDC reducing the return on shareholder funds.

Performance targets relevant to the operation of GasNet Limited

KPIs

	Target 2015/16	Actual 2015/16	2014/15
Health and Safety			
Incidents Reported (No)	5	3	6
Lost Time Incidents	0	0	1
Lost Time Rate	0	0	0
Network Throughput			
Total Throughput	1.40 PJ	1.27 PJ	1.13 PJ
UFG (Unaccounted For Gas)	1.00%	0.62%	0.66%
Operational Financial Performance			
Direct & Indirect Costs per consumer	$190	$192	$193
Direct & Indirect Costs per GJ conveyed	$1.50	$1.50	$1.69
Network Reliability			
Consumer Hours Lost			
Planned (Class B)		380	-
Unplanned (Class C)		183	-
Unplanned third party (Class I)		35	-
Total Consumer Hours Lost	100	598	107
Third Party Interference Damage (No)	50	29	24
Public Reported Gas Escapes (No)	90	29	51

New Zealand International Commercial Pilot Academy Limited (NZICPA)

Description of Entity's outcomes

To provide high quality flight training commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to aviation operations in line with the size of the company.

To act as a good corporate citizen and exercise the appropriate level of social responsibility toward the community and the environment, consistent with the conduct of a sustainable and profitable business.

Description and Quantification of the Entity's outputs

Break even for the first year of operation excluding one off costs	$15,228
One off costs	$110,003
Net loss	$94,775

The flight training industry is very highly regulated but not many students go directly from flight school to a commercial flying job. This is because most employers prefer their employees to have at least 500 flying hours before taking them on; whereas students normally have between 180 and 230 flying hours at the completion of their training. Therefore it was decided to measure the quality of training against meeting these regulations.

- NZICPA maintained CAA accreditation in part 135 General Aviation Air Operator Certificate and part 141 Aviation Training Organization Certificate.

- NZICPA also underwent an NZQA audit on which it received a complimentary report and maintained approval to deliver the following qualifications:

    - New Zealand Diploma in Aviation (Aeroplane) (General Aviation) (Level 5)
    - New Zealand Diploma in Aviation (Aeroplane) (Flight Instruction) (Level 6)
    - New Zealand Diploma in Aviation (Aeroplane) (Airline Preparation) (Level 6)
    - Single or Multi Engine Instrument Rating
    - Private Pilot License (Aeroplane)
    - Multi Engine Type Rating.

- NZICPA Maintained its registration on NZQA list of Code approved education providers for the Pastoral Care of International Students