

Wanganui District Council Holdings Limited

Annual Report

For the year ended 30 June 2010



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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 Dot McKinnon Harvey Green Michael Eden
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Wanganui
Solicitors	Kensington Swan
Shareholding as at 30 June 2010	Wanganui District Council 100%



Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2010. 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.

Results

The Directors report a parent tax paid loss of \$51,000 for the year ended 30 June 2010. Equity at the end of the year was \$10,059,000.

Dividends

No dividends were paid.

Directors and their remuneration

Directors fees paid during the year were as follows:

Matthew Doyle (Chairman)	\$10,000
Matthew Edmonds	\$10,000
Dot McKinnon	\$10,000
Harvey Green	\$10,000
Michael Eden	\$10,000

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 \$9,835.

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 Matthew Doyle & Associates Limited Freshcentral Palmerston North Limited Freshcentral Limited Fresh Metro Limited Fresh Metro Assets Limited OTL Limited Comtxt Media Limited Comtxt Holdings NZ Limited Gasnet Limited Energy Direct NZ Limited
Michael Eden	Wanganui District Council Holdings Limited GDM Group Limited GDM Group Holdings Limited GDM Group NZ Limited Upper Avenue Properties Limited Fresh Metro Palmerston North Limited Fresh Metro Limited Fresh Metro Assets Limited Comtxt Media Limited Comtxt Holdings NZ Limited
Harvey Green	Wanganui District Council Holdings Limited Belmont Forest Limited Petrosell Wanganui Limited Energy & Health Limited Undies Limited Wanganui Gas Limited Avenue Service Centre Limited Huntingdale Lodge Limited 2-GO Co-operative Company Limited The Cooked Chook Company Limited Gasnet Limited Energy Direct NZ Limited
Matthew Edmonds	Wanganui District Council Holdings Limited Edmonds Industrial Coatings Limited Root Juice Limited
Dot McKinnon	Wanganui District Council Holdings Limited

	Primo Pasta (Courtney Place) Limited Chardonnay Properties Limited Spit Roast Mid-West Limited New Zealand Masters Games Limited M 7 Limited The Avenue Apartments Limited W17 Limited
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Company's Affairs

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

On behalf of the Board



Dot McKinnon

Director



Matthew Edmonds

Director



Chairman's Report

Wanganui District Council Holdings Limited (WDCHL) Board has had no changes to membership this year, the Directors being:

- Matthew Doyle, Chair
- Matt Edmonds
- Michael Eden
- Harvey Green
- Dot McKinnon

The 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	Harvey Green	Matt Edmonds
Forestry	Harvey Green	Matt Doyle
Gas	Matt Doyle	Harvey Green
Property	Matt Edmonds	Michael Eden
Quarrying	Harvey Green	Matt Doyle
WINC/Tourism	Dot McKinnon	Matt Doyle

New activity areas will be established (or removed) as the nature of the work varies.

It has been a challenging year with a number of business areas experiencing adverse market conditions. The Board, with its extensive and varied commercial experience, has closely monitored progress with Board meetings involving each area being reviewed and Directors collectively setting direction and priority for the respective areas.

There are continued challenges to overcome during the year ahead, and the Directors are committed to resolving these matters in a profitable / cost effective manner. However, the 2011-year also presents significant opportunities and these will be prioritised and developed with enthusiasm.

I would like to express my appreciation to my fellow Directors for the considerable effort they have made to make the 2009/10 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 2010

	Note	Parent		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Income					
Sales		-	-	55,052	51,167
Cost of sales		-	-	49,732	45,717
Gross profit from trading		-	-	5,320	5,450
Finance income	1	1,589	1,339	67	126
Other revenue	2	60	139	93	220
Gains	3	-	-	(24)	9
Total Income		1,649	1,478	5,456	5,805
Expenses					
Personnel costs	4	-	9	2,644	2,777
Depreciation and amortisation expense		-	-	1,235	1,291
Finance costs	1	1,547	1,324	1,546	1,380
Gains/(losses) on property, plant and equipment valuation		-	-	-	-
Gains/(losses) from derivative financial instruments	3	30	1,074	59	1,080
Other expenses	5	123	97	3,329	3,196
Total expenses		1,700	2,504	8,813	9,724
Surplus/(deficit) before tax		(51)	(1,026)	(3,358)	(3,919)
Income tax expense	6	-	-	(1,165)	(1,084)
Surplus/(deficit) after tax		(51)	(1,026)	(2,193)	(2,835)
Other comprehensive income					
Asset revaluation movement		-	-	-	-
Gains/(Losses) from movements in financial assets carried at fair value	3	-	-	-	-
Income tax re components of other comprehensive income		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income		(51)	(1,026)	(2,193)	(2,835)
Attributable to Wanganui District Council Holdings Limited		(51)	(1,026)	(2,193)	(2,835)
		(51)	(1,026)	(2,193)	(2,835)

Statement of changes in equity
For the year ended 30 June 2010

	Note	Parent		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at 1 July		10,110	11,136	12,355	15,190
Amounts recognised directly in equity					
Gains on property valuations net of tax		-	-	-	-
Financial assets at fair value through equity		-	-	-	-
Net income recognised directly in equity		-	-	-	-
Surplus/(deficit) after tax		(51)	(1,026)	(2,193)	(2,835)
Total recognised income and expense		(51)	(1,026)	(2,193)	(2,835)
Attributable to Wanganui District Council Holdings Limited		(51)	(1,026)	(2,193)	(2,835)
Dividend to shareholders		-	-	-	-
Dividend to minority interest		-	-	-	-
Equity as at 30 June		10,059	10,110	10,162	12,355

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	Parent		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Assets					
Current assets					
Cash and cash equivalents	7	660	554	748	998
Debtors and other receivables	8	7	-	5,746	6,981
Derivative financial instruments	9	-	(973)	-	(973)
Taxation refund	8	5	-	144	141
Other financial assets	11	-	-	-	-
Inventories	10	-	-	311	343
		675	(414)	6,949	7,490
Non-current assets					
Other financial assets	11	30,800	29,300	122	317
Property, plant and equipment	12	-	-	24,233	24,331
Intangible assets	13	-	-	911	1,237
Goodwill on consolidation	13	-	-	9,353	9,353
		30,800	29,300	34,619	35,238
Total assets		31,475	28,886	41,568	42,728
Liabilities					
Current liabilities					
Creditors and other payables	14	412	276	6,928	8,131
Employee entitlements	15	-	-	188	190
Derivative financial instruments	9	26	-	26	-
Borrowings	16	4,000	5,000	4,900	5,000
		4,438	5,276	12,042	13,321
Non-current liabilities					
Borrowings	16	16,000	13,500	16,000	13,500
Derivative financial instruments	9	978	-	978	-
Deferred tax	6	-	-	2,386	3,551
		16,978	13,500	19,364	17,051
Total liabilities		21,416	18,776	31,406	30,372
Net assets		10,059	10,110	10,162	12,355
Equity					
Share capital	17	10,900	10,900	10,900	10,900
Retained earnings		(841)	(790)	(1,858)	335
Fair value through equity reserve		-	-	-	-
Asset revaluation reserve		-	-	1,120	1,120
		10,059	10,110	10,162	12,355

For and on behalf of the Board



Dot McKinnon
Director



Matthew Edmonds
Director

The accompanying notes form part of these financial statements.



Statement of cash flows
For the year ended 30 June 2010

Note	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash flows from operating activities				
Receipts from customers	60	138	56,257	48,873
Interest received	1,589	1,340	67	128
Dividends received	-	-	-	-
Payments to suppliers and employees	-	(226)	(56,888)	(48,462)
Taxes paid	(3)	(2)	253	97
Interest paid	(1,540)	(1,376)	(1,540)	(1,352)
Net cash from operating activities	106	(126)	(1,814)	(716)
Cash flows from investing activities				
Sale of fixed assets and investments	-	300	-	9
Repayment of loan	-	-	-	-
Purchase of intangibles	-	-	(19)	(674)
Purchase of fixed assets and investments	(1,500)	(2,500)	(817)	(711)
Net cash from investing activities	(1,500)	(2,200)	(836)	(1,376)
Cash flows from financing activities				
Proceeds from borrowings	1,500	2,500	2,400	2,500
Loans to subsidiaries	-	-	-	10
Repayment of borrowings	-	-	-	(14)
Dividends paid	-	-	-	-
Net cash from financing activities	1,500	2,500	2,400	2,496
Net (decrease)/increase in cash and cash equivalents	106	174	(250)	404
Cash and cash equivalents at the beginning of the year	554	380	998	594
Cash and cash equivalents at the end of the year	660	554	748	998

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.

Statement of accounting policies

For the year ended 30 June 2010

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.

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 2010. The financial statements were authorised for issue by the Board of Directors on 30 September 2010.

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.

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

There have been no changes in accounting policies.

WDCHL has adopted the following revisions to accounting standards during the financial year which have only had a presentational or disclosure effect:

- NZ IAS 1 *Presentation of Financial Statements (Revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (Issued 2004)*. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. WDCHL has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.
- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of the financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application. WDCHL has elected to disclose comparative information.
- NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)*. The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. WDCHL has elected to early adopt the revised standard and its effect has been to disclose further information about commitments between related parties. (Wanganui Gas, which is part of the Group, has not been an early adopter of this revised standard. This has not had a material impact on disclosure or related parties.)



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

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

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets 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, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. WDCHL has not yet assessed the effect of the new standard and expects it will not be early adopted.

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 gas network distribution services, and the sale of energy and appliances. 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.

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 derivatives 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.

Goods and Services Tax (GST)

The financial statements have been prepared exclusive of GST with the exception of receivables and payables which are stated as GST inclusive. Where GST is not recoverable as input tax then it is recognised as a part of the related asset or expense.

Hire purchase receivables

Hire purchase and other long term debtors are recognised at amortised cost and exclude unearned interest. Interest is recognised on an accrual basis month by month.

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	1-10% SL
Distribution Network Condition Renewals	2% SL
Gas Measurement Systems and Distribution Network Customer Stations	1-10% SL
Vehicles, Plant, Office Equipment and Furniture and Fittings	20-33 % SL
Computer Hardware	33% SL
Leasehold Improvements	10-20% 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 its 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 class of 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 26.

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 2010

1. Finance income and finance costs

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Finance income				
Interest Income				
- from term loans	1,589	1,339	52	104
- from hire purchase	-	-	14	22
Total finance income	1,589	1,339	67	126
Finance costs				
Interest paid on fixed loans	1,547	1,324	1,547	1,380
Total finance costs	1,547	1,324	1,547	1,380

2. Other revenue

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Management fees	60	139	60	138
Dividends received	-	-	1	1
Contracting revenue	-	-	30	16
Sundry revenue	-	-	2	65
Total other revenue	60	139	93	220

3. Gains

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Non-financial instruments				
Property, plant and equipment gains on disposal	-	-	(24)	9
Total non-financial instruments gains	-	-	(24)	9
Financial instruments				
Gains/(losses) from derivative financial instruments	(30)	(1,074)	(59)	(1,080)
Total financial instruments gains	(30)	(1,074)	(59)	(1,080)
Total gains	(30)	(1,074)	(83)	(1,071)

4. Personnel costs

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Salaries and wages	-	9	2,624	2,636
Employer contributions to superannuation	-	-	39	12
Other personnel costs	-	-	59	79
Increase/(decrease) in employee entitlements/liabilities	-	-	(2)	50
Less capitalised labour	-	-	(76)	-
Total personnel costs	-	9	2,644	2,777

Notes to the Financial Statements

For the year ended 30 June 2010

5. Other expenses

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Fees to principal auditor:				
- audit fees for financial statement audit	10	9	83	73
- audit related fees for disclosure regulations	-	-	7	-
Impairment of receivables	-	-	203	98
Directors' fees	50	50	191	203
Inventories expensed	-	-	-	-
Rental and operating lease costs	-	-	204	151
Subvention payment to Wanganui District Council	-	-	-	-
Other operating costs	63	38	2,641	2,671
Total operational expenses	123	97	3,329	3,196

6. Tax

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Components of tax expense				
Current tax expense	-	-	-	-
Deferred tax on temporary differences	-	-	(953)	-
Deferred tax adjustment from change in tax rates	-	-	(212)	(1,084)
Income tax expense	-	-	(1,165)	(1,084)
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	(51)	(1,026)	(3,358)	(3,919)
Tax @ 30%	(15)	(308)	(1,007)	(1,176)
Prior period adjustment	-	-	-	-
Non-taxable income	-	-	-	-
Non-deductible expenditure	-	7	-	7
Deferred tax on change in tax rate	-	-	-	-
Deferred tax adjustment	15	301	796	85
Tax expense	-	-	(212)	(1,084)

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 2008	5,181	(94)	(452)	4,635
Charged to profit and loss	281	43	(1,408)	(1,084)
Charged to equity	-	-	-	-
Balance 30 June 2009	5,462	(51)	(1,860)	3,551
Charged to profit and loss	(407)	(310)	(447)	(1,165)
Charged to equity	-	-	-	-
Balance 30 June 2010	5,055	(361)	(2,307)	2,386

The parent has not recognised a deferred tax asset in relation to temporary differences of \$1,003,550 (2009: \$973,000) and tax losses of \$707,570 (2009: \$699,000). The group has recognised these deferred tax assets.

Imputation credit account

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	53	48	46	46
Income tax paid	-	-	-	-
Imputation credits on dividends received	-	-	-	-
Resident Withholding Tax on interest received	3	5	3	-
Terminal tax refund	-	-	-	-
Imputation credits attached to dividends paid	-	-	-	-
Correction per tax return opening balance	-	-	-	-
Balance as at 30 June	56	53	49	46

Notes to the Financial Statements

For the year ended 30 June 2010

7. Cash and cash equivalents

	Parent		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Cash at bank and on hand	660	554	748	998
Term deposits with maturities less than 3 months	-	-	-	-
Total cash and cash equivalents	660	554	748	998

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	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Trade debtors	5	-	3,893	5,089
Other receivables	2	-	1,758	1,936
Hire purchase debtors 12 months and under	-	-	208	76
Less provision for impairment	-	-	(123)	(120)
Total debtors and other receivables	7	-	5,746	6,981

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.

Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$nil (2009 \$nil).

The status of receivables as at 30 June 2010 and 2009 are detailed below:

	2010		
	Gross \$000	Impairment \$000	Net \$000
Parent			
Not past due	7	-	7
Past due 1-60 days	-	-	-
Past due 61-120 days	-	-	-
Past due > 120 days	-	-	-
Total	7	-	7
	2009		
	Gross \$000	Impairment \$000	Net \$000
Parent			
Not past due	-	-	-
Past due 1-60 days	-	-	-
Past due 61-120 days	-	-	-
Past due > 120 days	-	-	-
Total	-	-	-
	2010		
	Gross \$000	Impairment \$000	Net \$000
Group			
Not past due	5,462	-	5,462
Past due 1-60 days	165	-	165
Past due 61-120 days	242	(123)	119
Past due > 120 days	-	-	-
Total	5,868	(123)	5,746
	2009		
	Gross \$000	Impairment \$000	Net \$000
Group			
Not past due	4,821	-	4,821
Past due 1-60 days	102	-	102
Past due 61-120 days	242	(120)	123
Past due > 120 days	-	-	-
Total	5,166	(120)	5,046

Notes to the Financial Statements

For the year ended 30 June 2010

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	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Individual impairment	-	-	-	65
Collective impairment	-	-	123	55
Total provision for impairment	-	-	123	120

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

	Parent		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
At 1 July	-	-	120	46
Additional provisions made during the year	-	-	203	98
Provisions reversed during the year	-	-	-	-
Receivables written-off during period	-	-	(200)	(24)
At 30 June	-	-	123	120

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	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Current asset portion				
Interest rate swaps - fair value hedges	-	(973)	-	(973)
	-	(973)	-	(973)
Non-current asset portion				
Interest rate swaps - fair value hedges	-	-	-	-
	-	-	-	-
Total derivative financial instrument assets	-	(973)	-	(973)
Current liability portion				
Interest rate swaps - fair value hedges	(26)	-	-	-
	(26)	-	-	-
Non-current liability portion				
Interest rate swaps - fair value hedges	(978)	-	-	-
	(978)	-	-	-
Total derivative financial instrument liabilities	(1,004)	-	-	-

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 \$16,500,000 (2009 \$16,500,000) and for the Group were \$8,000,000 (2009 \$8,000,000). At 30 June 2010, the fixed interest rates of cash flow hedge interest rate swaps vary from 4.99% to 7.43% (2009 4.99% to 7.43%).

10. Inventories

	Parent		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<i>Held for distribution/Commercial inventories</i>				
Network	-	-	206	192
Appliances	-	-	105	151
Total Inventories	-	-	311	343

Inventories are pledged as security for liabilities \$311,294 (2009 \$342,680). There has been no write-down of commercial inventories to net realisable value (2009 \$nil).

Notes to the Financial Statements

For the year ended 30 June 2010

11. Other financial assets

	Parent		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Current portion				
Term deposits with maturities of 4-12 months	-	-	-	-
Loans to related parties	-	-	-	-
Non-current portion				
Shares in subsidiaries (cost)	18,800	18,800	-	-
Loans to related parties (WGL)	12,000	10,500	-	-
Hire purchase long term debtors	-	-	99	266
Listed shares in Vector Limited	-	-	12	11
Listed shares in NZ Windfarm Limited	-	-	10	40
Gas Industry Company	-	-	-	-
Loans to Gas Industry Company	-	-	-	-
Total other financial assets	30,800	29,300	121	317

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.

Assets are pledged as security for liabilities.

Notes to the Financial Statements

For the year ended 30 June 2010

12. Property, plant and equipment

	Cost/ valuation 1 July 2009 \$000	Accumulated depreciation and impairment charges 1 July 2009 \$000	Carrying amount 1 July 2009 \$000	Current year additions \$000	Current year disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Current year depreciation eliminated on disposal \$000	Accumulated depreciation eliminated on disposal \$000	Revaluation surplus 30 June 2010 \$000	Revaluation surplus 30 June 2010 \$000	Cost/ revaluation 30 June 2010 \$000	Accumulated depreciation and impairment charges 30 June 2010 \$000	Carrying amount 30 June 2010 \$000
<i>Infrastructure assets:</i>														
Distribution network	21,491	(613)	20,878	522	(17)		(603)					21,996	(1,217)	20,780
Gas measurement system	3,113	(183)	2,930	216	(7)		(181)					3,321	(364)	2,957
Leasehold improvements	242	(92)	150	13			(24)					255	(117)	138
Vehicles	184	(33)	151	32			(22)					216	(55)	161
Office equipment	57	(27)	30	6			(9)					63	(36)	27
Furniture and fittings	33	(19)	14				(5)					33	(24)	9
Plant and equipment	218	(81)	137	4	1		(24)					223	(105)	118
Leased assets														
Computer hardware	353	(312)	41	23	(1)		(20)					375	(332)	43
Total	25,694	(1,362)	24,331	817	(25)	(890)	(890)	-	-	-	-	26,482	(2,249)	24,233

	Cost/ valuation 1 July 2008 \$000	Accumulated depreciation and impairment charges 1 July 2008 \$000	Carrying amount 1 July 2008 \$000	Current year additions \$000	Current year disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Current year depreciation eliminated on disposal \$000	Accumulated depreciation eliminated on disposal \$000	Revaluation surplus 30 June 2009 \$000	Revaluation surplus 30 June 2009 \$000	Cost/ revaluation 30 June 2009 \$000	Accumulated depreciation and impairment charges 30 June 2009 \$000	Carrying amount 30 June 2009 \$000
<i>Infrastructure assets:</i>														
Distribution network	22,847	(1,756)	21,091	21,491	(22,847)	(19)	(594)		1,756			21,491	(613)	20,878
Gas measurement system	3,354	(505)	2,849	3,113	(3,354)	(11)	(172)		505			3,113	(183)	2,930
Leasehold improvements	754	(581)	173	167	(679)		(31)		520			242	(92)	150
Vehicles	347	(164)	183	184	(347)		(33)		164			184	(33)	151
Office equipment	87	(56)	31	38	(68)		(6)		39			57	(27)	30
Furniture and fittings	113	(92)	21	23	(103)		(9)		82			33	(19)	14
Plant and equipment	489	(317)	172	174	(445)		(37)		273			218	(81)	137
Leased assets														
Computer hardware & software	631	(561)	70	69	(347)		(54)		303			353	(312)	41
Total	28,703	(4,110)	24,593	25,259	(28,269)	(30)	(943)	(943)	3,720	-	-	25,691	(1,360)	24,331

Notes to the Financial Statements

For the year ended 30 June 2010

13. Intangible assets

	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 2009				
Cost	163	1,555	9,353	11,071
Accumulated amortisation and impairment	(97)	(384)	-	(481)
Opening carrying amount	66	1,171	9,353	10,590
Year ended 30 June 2010				
Additions	16	3	-	18
Amortisation charge	(33)	(312)	-	(345)
Closing carrying amount	48	863	9,353	10,264
Balance at 30 June 2010				
Cost	179	1,558	9,353	11,090
Accumulated amortisation and impairment	(130)	(696)	-	(826)
Closing carrying amount	48	863	9,353	10,264
Balance at 1 July 2008				
Cost	109	935	9,353	10,397
Accumulated amortisation and impairment	(59)	(104)	-	(163)
Opening carrying amount	50	831	9,353	10,234
Year ended 30 June 2009				
Additions	54	620	-	674
Amortisation charge	(38)	(280)	-	(318)
Closing carrying amount	66	1,171	9,353	10,590
Balance at 30 June 2009				
Cost	163	1,555	9,353	11,071
Accumulated amortisation and impairment	(97)	(384)	-	(481)
Closing carrying amount	66	1,171	9,353	10,590

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

Goodwill arises on consolidation of Wanganui Gas Limited in the books of WDCHL.

14. Creditors and other payables

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Trade payables and other accrued expenses	155	20	6,123	4,177
Amounts due to related parties (note 21)	-	-	45	160
GST	-	4	18	272
Accrued interest expenses	257	252	742	3,522
	412	276	6,928	8,131

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 2010

15. Employee entitlements

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current portion				
Accrued pay	-	-	-	-
Annual leave	-	-	104	115
Sick leave	-	-	10	10
Payroll accrual	-	-	72	63
Retirement and long service	-	-	2	2
<i>Total current portion</i>	-	-	188	190
Non-current portion				
Retirement and long service	-	-	-	-
<i>Total non-current portion</i>	-	-	-	-
Total employee entitlements	-	-	188	190

16. Borrowings

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current portion				
Secured loans	4,000	5,000	4,900	5,000
Finance leases	-	-	-	-
<i>Total current portion</i>	4,000	5,000	4,900	5,000
Non-current portion				
Secured loans	16,000	13,500	16,000	13,500
Finance leases	-	-	-	-
<i>Total non-current portion</i>	16,000	13,500	16,000	13,500
Total borrowings	20,000	18,500	20,900	18,500

Secured loans

WDCHL's secured debt of \$20,000,000 (2009 \$18,500,000) 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 0.13% to 1.90% for credit risk.

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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Secured loans	20,000	18,500	18,500	16,193
Total	20,000	18,500	18,500	16,193

Analysis of finance leases

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Total minimum lease payments are payable				
Not later than one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
<i>Total minimum lease payments</i>	-	-	-	-
Future finance charges	-	-	-	-
<i>Present value of minimum lease payments</i>	-	-	-	-
Present value of minimum lease payments payable				
Not later than one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
<i>Total present value of minimum lease payments</i>	-	-	-	-
Represented by				
Current	-	-	-	-
Non-current	-	-	-	-
Total finance leases	-	-	-	-

Description of material leasing arrangements

The company and group have no finance leases in place at the end of the financial year.

Notes to the Financial Statements

For the year ended 30 June 2010

17. Equity

	Parent		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Share capital				
10,900,000 ordinary shares each fully paid up	10,900	10,900	10,900	10,900
Balance at 1 July	(790)	236	335	3,170
Surplus/(deficit) for the year	(51)	(1,026)	(2,193)	(2,835)
Transfer of minority interest	-	-	-	-
Dividends paid	-	-	-	-
Balance at 30 June	(841)	(790)	(1,858)	335
Fair value through equity reserve				
Balance at 1 July	-	-	-	-
Fair value gains/(losses)	-	-	-	-
Balance at 30 June	-	-	-	-
Asset revaluation reserve				
Balance at 1 July	-	-	1,120	1,120
Revaluation gains/(losses)	-	-	-	-
Deferred tax on revaluation	-	-	-	-
Balance at 30 June	-	-	1,120	1,120
Distribution network	-	-	-	-
Gas measurement system	-	-	-	-
Balance at 30 June	-	-	-	-
Minority interest				
Balance at 1 July	-	-	-	-
Transfer to retained earnings	-	-	-	-
Balance at 30 June	-	-	-	-

Authorised shares 25,000,100 (2009: 20,000,100)

Shares issued and fully paid up 10,900,100 (2009: 10,900,100)

All 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		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Surplus/(deficit) after tax	(51)	(1,026)	(2,193)	(2,835)
Add/(less) non-cash items:				
Depreciation and amortisation expense	-	-	1,235	1,291
(Gains)/losses from derivative financial instruments	30	1,074	59	1,080
Asset revaluation movement through the P&L	-	-	-	-
Tax on revaluation gains	-	-	-	-
Other non-cash items	-	-	-	-
	(21)	48	(899)	(464)
Add/(less) items classified as investing or financing activities:				
Hire purchase long term debtors	-	-	-	-
(Gains)/losses on disposal of property, plant and equipment	-	-	24	(9)
Deferred tax liability	-	-	(1,165)	(1,084)
	-	-	(1,141)	(1,093)
Add/(less) movements in working capital items:				
Accounts receivable	7	(1)	1,187	(2,765)
Inventories	-	-	31	(23)
Other financial assets	-	-	-	(119)
Accounts payable	117	(172)	(993)	3,700
Income tax payable	3	(1)	3	(1)
Employee entitlements	-	-	(2)	50
	127	(174)	226	841
Net cash inflow/(outflow) from operating activities	106	(126)	(1,814)	(716)

Notes to the Financial Statements

For the year ended 30 June 2010

19. Capital commitments and operating leases

The company has no capital commitments as at 30 June 2010 (2009 nil).

	Parent 2010 \$000	2009 \$000	Group 2010 \$000	2009 \$000
Operating leases				
Not later than one year			224	12,923
Later than one year and not later than five years			172	220

20. Contingencies

At 30 June 2010 there are no contingent liabilities (2009 nil). There may be a contingent asset, not quantified, resulting from an as yet unresolved dispute with an energy supplier (2009 nil).

	Parent 2010 \$000	2009 \$000	Group 2010 \$000	2009 \$000

21. Related party transactions

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

	Parent 2010 \$000	2009 \$000	Group 2010 \$000	2009 \$000
Wanganui District Council				
Services provided to WDCHL	-	-	446	374
Subvention payment paid to WDC	-	-	-	-
Dividends paid to WDC	-	-	-	-
Management fees paid to WDCHL	60	139	60	139
Accounts payable to WDC	-	-	45	160
Short term loan from Wanganui District Council	-	-	900	-
Wanganui Gas Limited				
Interest paid to WDCHL	1,576	1,305	-	-
Loan advance from WDCHL	12,000	10,500	-	-
Amounts receivable from WGL	-	-	-	-
Wanganui Airport Joint Venture				
Services provided to WDCHL	-	1	-	1
Management fees paid to WDCHL	-	-	-	8
Downer EDI Limited				
Services provided to WGL (gas, testing, transmission and network)	-	-	-	141
Services provided by WGL (transport and other)	-	-	-	17
Accounts payable to Downer EDI Limited	-	-	-	-
Consultancy fees paid to directors during the year were				
Matthew Doyle	-	-	39	48
Matthew Edmonds	-	-	-	-
Michael Eden	-	-	-	-
Dot McKinnon	-	-	-	-
Harvey Green	-	-	16	26
Matthew Doyle (WGL) - Doyle & Associates	-	-	-	-
David Warburton (WGL) - Four P International Trust	-	-	-	15
Peter Hazledine	-	-	-	1
Peter Reidy (WGL) - Downer EDI Works Limited (drainlaying)	-	-	-	-

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 gas and appliances). Director Dot McKinnon's hotel company, the Kingsgate, provided catering and accommodation services to the company. Amounts owing to related parties at balance date were: Doyle & Associates \$0 (2009 \$nil); Four P International Trust \$0 (2009 \$nil); Downer EDI Works Limited \$0 (2009 \$nil).

Notes to the Financial Statements

For the year ended 30 June 2010

	Parent		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Key management personnel compensation				
Salaries and short term employee benefits	50	59	655	796
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	25
Termination benefits	-	-	-	121
	50	59	655	942

Key management personnel for the parent includes the Directors and in 2009 a portion of the former WDC Chief Executive's salary until he resigned. The Group includes the Directors and the company's General Managers and members of their senior management team. There have been no changes in the Group key management personnel.

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

22. Remuneration

WDC Chief Executive

The Chief Executive received the following remuneration:

	Parent		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Salary	-	9	-	9
Vehicle (market value plus FBT)	-	-	-	-
Parking (market value plus FBT)	-	-	-	-
Medical insurance (market value plus FBT)	-	-	-	-
Superannuation subsidy	-	-	-	-
	-	9	-	9

Directors

Directors received the following remuneration:

	Parent		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Matthew Doyle (WDCHL and WGL chairman)	10	10	55	55
Matthew Edmonds (WDCHL director)	10	10	10	10
Michael Eden (WDCHL director)	10	10	10	10
Dot McKinnon (WDCHL director)	10	10	10	10
Harvey Green (WDCHL and WGL director)	10	10	35	35
David Warburton (WGL director)	-	-	25	25
Peter Reldy (WGL director resigned 2009)	-	-	-	25
Peter Griffiths (WGL director)	-	-	21	-
Charles Hazledine (WGL director)	-	-	25	25
	50	50	191	195

23. Events after the balance date

From 1 October the operations of the Wanganui Port will be administered as an activity of Wanganui District Council Holdings Ltd.

24. Financial instruments

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

	Parent		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Financial assets				
Fair value through profit and loss - held for trading				
Derivative financial instrument assets	-	(973)	-	(973)
Loans and receivables				
Cash and cash equivalents	660	554	748	998
Debtors and other receivables	7	-	5,746	6,981
Other financial assets:				
- term deposits	-	-	-	-
- loans to related parties	12,000	10,500	-	-
Held to maturity				
Fair value through equity				
Other financial assets:				
- unlisted shares	-	-	-	-
- listed shares	-	-	22	51
Financial liabilities				
Financial liabilities at amortised cost				
Creditors and other payables	412	276	6,928	8,131
Borrowings:				
- secured loans	20,000	18,500	20,900	18,500

Notes to the Financial Statements

For the year ended 30 June 2010

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 2010				
Financial assets				
Derivatives	-	-	-	-
Shares unlisted	-	-	-	-
Shares listed securities	-	-	-	-
Financial liabilities				
Derivatives	1,004	1,004	-	-
Group 2010				
Financial assets				
Derivatives	-	-	-	-
Shares unlisted	-	-	-	-
Shares listed securities	22	22	-	-
Financial liabilities				
Derivatives	1,004	1,004	-	-
Parent 2009				
Financial assets				
Derivatives	(973)	(973)	-	-
Shares unlisted	-	-	-	-
Shares listed securities	-	-	-	-
Financial liabilities				
Derivatives	-	-	-	-
Group 2009				
Financial assets				
Derivatives	(973)	(973)	-	-
Shares unlisted	-	-	-	-
Shares listed securities	51	51	-	-
Financial liabilities				
Derivatives	-	-	-	-

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 2010

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	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Cash at bank and term deposits	660	554	748	998
Debtors and other receivables	7	-	5,746	6,981
Related party loans	-	10,500	-	-
Derivative financial instrument assets	-	(973)	-	(973)
Total credit risk	667	10,081	6,494	7,006

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	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Counterparties with credit ratings				
Cash at bank and term deposits:				
AA	660	554	748	998
AA-	-	-	-	-
<i>Total cash at bank and term deposits</i>	660	554	748	998
Derivative financial instrument assets:				
AA	-	(973)	-	(973)
AA-	-	-	-	-
<i>Total derivative financial instrument assets</i>	-	(973)	-	(973)
Counterparties without credit ratings				
Related party loans:				
Existing counterparty with no defaults in the past	-	10,500	-	-
Existing counterparty with defaults in the past	-	-	-	-
<i>Total related party loans</i>	-	10,500	-	-

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 \$20,000,000 (2009 \$20,000,000). There are no restrictions on the use of this facility.

Notes to the Financial Statements

For the year ended 30 June 2010

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 2010				
Creditors and other payables	412	412	-	-
Secured loans	17,624	3,856	-	13,766
Total	18,036	4,270	-	13,766
Group 2010				
Creditors and other payables	6,928	6,928	-	-
Secured loans	17,624	3,858	-	13,766
Finance leases	-	-	-	-
Total	24,552	10,786	-	13,766
Parent 2009				
Creditors and other payables	276	276	-	-
Secured loans	16,193	2,412	-	13,781
Total	16,469	2,688	-	13,781
Group 2009				
Creditors and other payables	8,131	8,131	-	-
Secured loans	16,193	2,412	-	13,781
Finance leases	-	-	-	-
Total	24,324	10,543	-	13,781

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
Parent and group 2010				
Contracts:				
- Inflow	1,004	1,004	26	83
Parent and group 2009				
Contracts:				
- Inflow	-	-	-	-

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 2010				
Cash and cash equivalents	660	660	-	-
Debtors and other receivables	7	7	-	-
Net settled derivative assets	-	-	-	-
Other financial assets:				
- term deposits	-	-	-	-
- related party loans	-	-	-	-
Total	667	667	-	-
Group 2010				
Cash and cash equivalents	748	748	-	-
Debtors and other receivables	5,746	5,746	-	-
Net settled derivative assets	-	-	-	-
Other financial assets:				
- term deposits	-	-	-	-
- related party loans	-	-	-	-
Total	6,494	6,494	-	-
Parent 2009				
Cash and cash equivalents	554	554	-	-
Debtors and other receivables	-	-	-	-
Net settled derivative assets	(973)	(973)	-	-
Other financial assets:				
- term deposits	-	-	-	-
- related party loans	10,500	-	-	10,500
Total	10,081	(419)	-	10,500
Group 2009				
Cash and cash equivalents	998	998	-	-
Debtors and other receivables	6,981	6,981	-	-
Net settled derivative assets	(973)	(973)	-	-
Other financial assets:				
- term deposits	-	-	-	-
- related party loans	-	-	-	-
Total	7,005	7,005	-	-

Notes to the Financial Statements

For the year ended 30 June 2010

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

2010 \$000

Interest rate risk	- 100bps Other Equity		+ 100bps Other Equity	
	Profit		Profit	
<i>Financial assets</i>				
Cash and cash equivalents	(7)		7	
Derivatives	-		-	
Other financial assets	(83)		83	
<i>Financial liabilities</i>				
Borrowings:				
- bank overdraft				
- term loans	(200)		200	
Derivatives	(10)		10	
Total sensitivity to interest rate risk	(300)		300	

2010 \$000

Equity price risk	-10% Other Equity		+10% Other Equity	
	Profit		Profit	
<i>Financial assets</i>				
Other financial assets:				
- quoted share investments				
Total sensitivity to equity price risk				

Parent

2009 \$000

Interest rate risk	- 100bps Other Equity		+ 100bps Other Equity	
	Profit		Profit	
<i>Financial assets</i>				
Cash and cash equivalents	(6)		6	
Derivatives	10		(10)	
Other financial assets	(83)		83	
<i>Financial liabilities</i>				
Borrowings:				
- bank overdraft				
- term loans	(185)		185	
Total sensitivity to interest rate risk	(264)		264	

2009 \$000

Equity price risk	-10% Other Equity		+10% Other Equity	
	Profit		Profit	
<i>Financial assets</i>				
Other financial assets:				
- quoted share investments				
Total sensitivity to equity price risk				

Group

2010 \$000

Interest rate risk	- 100bps Other Equity		+ 100bps Other Equity	
	Profit		Profit	
<i>Financial assets</i>				
Cash and cash equivalents	(7)		7	
Derivatives	-		-	
Other financial assets	-		-	
<i>Financial liabilities</i>				
Borrowings:				
- bank overdraft				
- term loans	(209)		209	
Total sensitivity to interest rate risk	(216)		216	

2010 \$000

Equity price risk	-10% Other Equity		+10% Other Equity	
	Profit		Profit	
<i>Financial assets</i>				
Other financial assets:				
- quoted share investments				
Total sensitivity to equity price risk		0		0

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For the year ended 30 June 2010

Group

2009 \$000

Interest rate risk

Financial assets

Cash and cash equivalents
Derivatives
Other financial assets

Financial liabilities

Borrowings:
- bank overdraft
- term loans

Total sensitivity to interest rate risk

	- 100bps Other Equity	+ 100bps Other Equity
	Profit	Profit
Cash and cash equivalents	(10)	10
Derivatives	(10)	10
Other financial assets	-	-
Borrowings:		
- bank overdraft	-	-
- term loans	(185)	185
Total sensitivity to interest rate risk	(205)	205

2009 \$000

Equity price risk

Financial assets

Other financial assets:
- quoted share investments

Total sensitivity to equity price risk

	-10% Other Equity	+10% Other Equity
	Profit	Profit
Other financial assets: - quoted share investments	(1)	1
Total sensitivity to equity price risk	(1)	1

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.

Statement of service performance

For the year ended 30 June 2010

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 make a profit of \$20,000*

	Actual 2008/09	Budget	Actual 2009/10
Surplus/(deficit) after tax	\$(1,026,000)	\$20,000	\$(51,000)
Dividend received	\$0	\$0	\$0
Dividend paid	\$0	\$0	\$0

Variance between actual and budget for 2010 was the result of the revaluations of derivative financial instruments and additional legal fees.

- *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 several of WDCHL's directors sitting on the Wanganui Gas Limited 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.*

Wanganui Gas Limited has experienced adverse market conditions over the financial year. WDCHL's directors have closely monitored 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 Waitaihangā, 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.*

Several of WDCHL's directors sit on the Wanganui Gas Limited Board. This has provided for timely involvement in the company and in the management of Council's investment. In addition, WDCHL's directors sat on the Airport Management Board, worked along side external contractors with the Forestry portfolio, worked along side WDC staff with regard property matters, 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 has met monthly 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 monthly basis and include the Chief Executive of the Council which enables open communication regarding matters concerning the Council. Monthly 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 "wellbeings" 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

	Actual	Budget	Actual
	2008/09	2009/10	2009/10
Net surplus/(deficit) after interest, tax and subvention payment to average ordinary shareholders funds	-17.3%	-0.5%	-21.3%
Earnings before interest and tax to average Assets.	-4.74%	3.9%	-5.45%

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 2006/07 sets out the overall intentions and objectives of Wanganui Gas Limited for the two financial years beginning 1 July 2008.

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 on the distribution network business division of the company and to seek a competitive return from its commercial operations 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.

Complementary activities undertaken include the sale and installation of natural gas and propane appliances and advisory services focussed on energy utilisation and efficiency.

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 and to provide an audited Annual Report to the shareholder by the end of September.



Audit report

To the readers of Wanganui District Council Holdings Limited and Group's financial statements and performance information for the year ended 30 June 2010

The Auditor-General is the auditor of Wanganui District Council Holdings Limited (the Company) and group. The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and performance information included in the annual report of the Company and group for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Company and group on pages 8 to 34:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - the Company and group's financial position as at 30 June 2010; and
 - the results of operations and cash flows for the year ended on that date.
- The performance information of the Company and group on pages 35 to 37 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2010.
- Based on our examination the Company and group kept proper accounting records.

The audit was completed on 30 September 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company and group as at 30 June 2010 and the results of operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 30 June 2010. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Company or any of its subsidiaries.



K M Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand