

# **Whanganui District Council Holdings Limited**

## **Annual Report**

**For the year ended 30 June 2019**

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## Directory

Registered office	Whanganui District Council 101 Guyton Street Whanganui Telephone (06) 349 0001 Fax (06) 349 0000 email <a href="mailto:wdc@whanganui.govt.nz">wdc@whanganui.govt.nz</a>
Postal address	PO Box 637 Whanganui
Directors	Annette Main ONZM (Chair) Matthew Doyle David Rae Simon Karipa Peter Hazledine
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Whanganui
Solicitors	Kensington Swan
Shareholding as at 30 June 2019	Whanganui District Council 100%

## Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2019. 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 GasNet Limited and also 100% of the share capital of New Zealand International Commercial Pilot Academy Limited.

The Company also owns 100% of the share capital of Whanganui Port Limited. Since incorporation in March 2013 there have been no transactions within Whanganui Port Limited.

### Results

The Directors report a parent surplus of \$5,511,000 for the year ended 30 June 2019. Equity at the end of the year was \$11,903,000.

### Dividends

The company paid dividends of \$1,000,000 (2018: \$nil).

### Directors and their remuneration

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

Annette Main (Chair)	\$52,450
Matthew Doyle	\$52,450
David Rae (appointed March 2018)	\$42,450
Simon Karipa (appointed March 2018)	\$42,450
Peter Hazledine	\$42,450
Charles Anderson (NZIPCA)	\$12,000

### Directors' and officers' insurance

Pursuant to Sections 162(3) and 162(4) of the Companies Act 1993 and the Company's constitution, Whanganui District Council Holdings Limited has affected liability insurance cover for Directors and Officers up to \$5 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 \$17,563.

### Donations

There were no donations for the year (2018 \$nil).

### Employee Remuneration

There were no employees of WDCHL who received total remuneration benefits of more than \$100,000 per annum (2018 nil).

## Directors' Interests

The Directors have made the following declarations of interest:

Name:	Company/Interest:
Matthew Doyle	32 TQ Limited Doyle & Associates – The Accountants Limited Doyle Audit Chartered Accountants Limited GasNet Ltd McCarthy Transport Assets Limited McCarthy Transport Contractors Limited McCarthy Transport Holdings Limited New Zealand International Commercial Pilot Academy Ltd Whanganui District Council Holdings Ltd
Peter Hazledine	Altosa Forestry Company Limited GasNet Ltd Hazledine Consulting New Zealand International Commercial Pilot Academy Ltd Whanganui District Council Holdings Ltd
Simon Karipa	Charities Registration Board Crown Forestry Rental Trust GasNet Ltd Karipa Marumaru Whānau Trust Maara Moana Limited New Zealand International Commercial Pilot Academy Ltd Paraekaretu Solutions Limited Parewānui Trust Puramakau 2L Limited Puramakau 2M Limited Puramakau 2N Limited Puramakau 2O Limited Te Kumara 3L Limited Te Ngakinga o Whanganui Investment Trust Waikato 1B Limited Waikato 1C Limited Waikato 1D Limited Whanganui District Council Holdings Ltd Whanganui Iwi Fisheries Limited
Annette Main	GasNet Ltd Lovely Food Co.

	New Zealand International Commercial Pilot Academy Ltd Taiata Te Korire Trust The Kitchen Whanganui UCOL (Universal College of Learning) Whanganui District Council Holdings Ltd
David Rae	Astronomy NZ Ltd David Rae Associates Ltd Gasnet Limited Metis Research Ltd MyFiduciary Ltd New Zealand International Commercial Pilot Academy Limited PIF Guardians Ltd Public Infrastructure Partners Fund III Te Puia Tapapa Limited Partnership The New Zealand Refining Company Pension Fund The New Zealand Refining Nominees Ltd Whanganui District Council Holdings Ltd

## Company's Affairs

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

Annette Main  
Chair

Matthew Doyle  
Director

## **Chair's Report**

I am pleased to provide this report on behalf of Whanganui District Council Holdings Limited (WDCHL) for the year ended 30 June 2019.

### **Governance**

The Directors of WDCHL are responsible to Council as their shareholder for the performance on investments and the performance of GasNet and NZICPA.

The end of 2018 saw a successful application for funding from the Provincial Growth Fund to contract a highly experienced team of contractors to prepare a business case for an Advanced Aviation Hub to be based in Whanganui. This business case was completed on schedule and provided the confidence to continue with the work required to see this project come to fruition with strong economic benefit to Whanganui.

The end of 2018 also saw the Board agree to purchase, in a joint venture with Tupoho, the former rest home Nazareth on St Johns Hill in Whanganui. The intention of the purchase was to provide accommodation for a forthcoming agreement with an international airline to provide cadet training. Due to subdivision requirements the sale was not finalised in this financial year but has subsequently been completed.

WDCHL also provided oversight of commercial activities undertaken at both the Whanganui Airport and Port at the request of Whanganui District Council. This has included involvement of the Chair and Deputy Chair on a governance support team for the Whanganui Port Revitalisation Project.

Our primary focus is to ensure that the interests of the shareholders and key stakeholders are protected and enhanced by adding long-term value to the Company's shares. We have Statements of Intent agreed with the Whanganui District Council. The Board uses best practice to identify, manage and resolve strategic issues and regularly evaluates economic, political, social and legal matters that may influence or affect the development of the business or the interests of Shareholders and takes outside expert advice on these matters when necessary.

The Board consists of the following Directors:

Annette Main – Chair  
Matthew Doyle Deputy Chair  
Peter Hazledine  
Simon Karipa  
David Rae

All directors have brought different sets of skills to contribute to consensus decision-making at the board table, and all are appointed to the boards of GasNet and NZICPA. Matt Doyle chairs the board of NZICPA and during most of the 2018/19 year chaired GasNet. Peter Hazledine was appointed chair of GasNet in June 2019 and I appreciate his willingness to step into this role. Charlie Anderson is appointed to the board of NZICPA.

### **PERSONNEL**

The Directors would like to acknowledge the work of Geoff Evans the General Manager and the team at Gasnet, Phill Bedford CE of NZICPA, and his team for their successful work during another busy year.

### **AUDITORS**

The Auditors are Audit New Zealand who act on behalf of The Office of the Auditor General and will continue to do so as required by legislation.

## **SUMMARY**

GasNet has been able to report on another successful financial year, with trading results exceeding budget expectations.

The proceeds from the decision in December 2016 to sell the Papamoa East assets to First Gas resulted in a positive result for the Company following a satisfactory conclusion to the review of the transaction by the Commerce Commission in late June 2018.

NZICPA has completed a series of audits and performed well. The NZQA external evaluation and review (EER) resulted in NZICPA attaining Category One provider status, the highest possible level. The 2018 CAA certificate re-entry audit was completed without a single finding and both the 135 and 141 certificates were issued for three years.

NZICPA will continue to advance several initiatives to further develop the international side of the fixed-wing commercial pilot licence (CPL) and multi-engine instrument rating programme delivery as a function of normal business development.

## **Thanks**

I would like to express my appreciation to my fellow directors for the considerable effort and time commitment they have made in this financial year. Professional services over and above their role as company directors has been required due to our additional activities in this financial year and I recognise that this has placed considerable pressure on their own businesses.

The willingness of Whanganui District Council to discuss sensitive commercial negotiations in confidence when necessary is appreciated, as is their support of our desire to see strong economic benefit for Whanganui come from investment.

The contribution of Kym Fell in his role as WDC Chief Executive, Leighton Toy and the WDC Property Team, Mike Fermor and the WDC Finance Team, and Louise Davies who has provided our ever increasing administration support, is gratefully acknowledged.

We look forward to the coming year and further progress in providing greater economic growth and development of all areas we have responsibility to manage on behalf of the Whanganui District Council, and ultimately the Whanganui community.

A handwritten signature in dark ink, appearing to read 'Annette Main', with a stylized flourish at the end.

**Annette Main**  
**Chair**



## Statement of comprehensive income

For the year ended 30 June 2019

		Parent		Group	
	Note	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Income</b>					
Sales		-	-	7,754	6,733
Cost of sales		-	-	1,113	624
Gross profit from trading		-	-	6,641	6,109
Finance income	1	6,347	1,254	39	79
Other revenue	2	946	1,021	1,005	933
Gains/(Losses)	3	469	98	81	110
Total income		7,762	2,374	7,766	7,232
<b>Expenses</b>					
Personnel costs	4	75	108	1,936	1,818
Depreciation and amortisation expense		167	145	1,490	1,358
Finance costs	1	835	910	835	837
Subvention payment		-	-	-	600
Goodwill impairment		-	1,073	-	1,073
Impairment Plant and Equipment		-	352	-	352
Other expenses	5	1,174	665	2,909	2,042
Total expenses		2,251	3,252	7,169	8,081
<b>Surplus/(deficit) before tax</b>		<b>5,511</b>	<b>(878)</b>	<b>596</b>	<b>(850)</b>
Income tax expense	6	-	-	35	(224)
<b>Surplus/(deficit) after tax</b>		<b>5,511</b>	<b>(878)</b>	<b>562</b>	<b>(626)</b>
<b>Other comprehensive income and expenses</b>					
Asset revaluation movement		-	-	-	3,919
Income tax re components of other comprehensive income		-	-	-	(1,097)
Total other comprehensive income		-	-	-	2,822
<b>Total comprehensive income</b>		<b>5,511</b>	<b>(878)</b>	<b>562</b>	<b>2,196</b>
<b>Attributable to</b>					
Whanganui District Council Holdings Limited		5,511	(878)	562	2,196
		<b>5,511</b>	<b>(878)</b>	<b>562</b>	<b>2,196</b>

*The accompanying notes form part of these financial statements.*

## Statement of changes in equity

For the year ended 30 June 2019

Note	Parent		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Balance at 1 July	7,392	8,271	30,449	28,253
<b>Comprehensive income</b>				
Surplus/(deficit) after tax from continuing operations	5,511	(878)	562	2,196
Adjustment opening balances	-	-	-	-
<i>Total comprehensive income</i>	5,511	(878)	562	2,196
<b>Attributable to</b>				
Whanganui District Council Holdings Limited	5,511	(878)	562	2,196
<b>Transactions with shareholders</b>				
Issue Share Capital	-	-	-	-
Dividends paid	(1,000)	-	(1,000)	-
<b>Equity as at 30 June</b>	<b>11,903</b>	<b>7,392</b>	<b>30,011</b>	<b>30,449</b>

*The accompanying notes form part of these financial statements.*

## Statement of financial position

As at 30 June 2019

		Parent		Group	
	Note	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	207	137	841	4,177
Debtors and other receivables	8	348	464	2,560	2,124
Taxation refund		-	-	7	5
Non-Current assets held for sale		-	1,000	-	1,000
Inventories	10	-	-	297	297
		555	1,601	3,705	7,603
<b>Non-current assets</b>					
Other financial assets	11	20,116	19,825	-	-
Property, plant and equipment	12	1,640	473	39,284	38,067
Intangible assets	13	-	-	23	20
Investment property	26	3,006	2,364	-	-
Goodwill on consolidation	13	-	-	9,749	9,749
		24,762	22,662	49,056	47,836
<b>Total assets</b>		<b>25,317</b>	<b>24,263</b>	<b>52,761</b>	<b>55,439</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Creditors and other payables	14	616	251	1,102	787
Employee entitlements	15	-	13	176	144
Tax payable		-	-	259	760
Derivative financial instruments	9	-	41	-	41
Borrowings	16	-	3,700	-	2,350
Income in advance		-	-	1,497	1,023
		616	4,003	3,034	5,105
<b>Non-current liabilities</b>					
Borrowings	16	12,371	12,400	12,371	12,400
Derivative financial instruments	9	428	468	428	468
Deferred tax	6	-	-	6,918	7,018
		12,799	12,868	19,717	19,886
<b>Total liabilities</b>		<b>13,415</b>	<b>16,872</b>	<b>22,750</b>	<b>24,991</b>
<b>Net assets</b>		<b>11,903</b>	<b>7,392</b>	<b>30,011</b>	<b>30,449</b>
<b>Equity</b>					
Share capital	17	7,846	7,846	7,846	7,846
Retained earnings	17	4,057	(454)	13,823	14,261
Asset revaluation reserve	17	-	-	8,342	8,342
		<b>11,903</b>	<b>7,392</b>	<b>30,011</b>	<b>30,449</b>

For and on behalf of the Board



Annette Main  
Chair



Matthew Doyle  
Director

The accompanying notes form part of these financial statements.

## Statement of cash flows

For the year ended 30 June 2019

		Parent		Group	Group
	Note	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers		1,018	826	8,961	7,744
Interest received		9	4	39	84
Dividends received		6,338	1,250	-	-
Payments to suppliers and employees		(967)	(1,694)	(5,580)	(5,835)
GST (net)		215	(55)	202	(44)
Taxes paid		( )	( )	(632)	(3)
Subvention payment		-	-	-	(600)
Interest paid		(934)	(903)	(934)	(830)
<b>Net cash from operating activities</b>	<b>18</b>	<b>5,679</b>	<b>(571)</b>	<b>2,056</b>	<b>517</b>
<b>Cash flows from investing activities</b>					
Sale of fixed assets and investments		1,114	-	-	12
Purchase of intangibles		-	-	(17)	1
Purchase of fixed assets and investments		(1,703)	(1,384)	(1,705)	(2,482)
<b>Net cash from investing activities</b>		<b>(589)</b>	<b>(1,384)</b>	<b>(1,722)</b>	<b>(2,469)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		-	1,200	-	800
Advances to subsidiaries		(291)	(360)	1,059	-
Repayment of loans		(3,729)	(400)	(3,729)	(400)
Purchase of shares		-	-	-	-
Dividends paid		(1,000)	-	(1,000)	-
<b>Net cash from financing activities</b>		<b>(5,020)</b>	<b>440</b>	<b>(3,670)</b>	<b>400</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>70</b>	<b>(1,515)</b>	<b>(3,336)</b>	<b>(1,552)</b>
Cash and cash equivalents at the beginning of the year		137	1,652	4,177	5,729
<b>Cash and cash equivalents at the end of the year</b>		<b>207</b>	<b>137</b>	<b>841</b>	<b>4,177</b>

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

*The accompanying notes form part of these financial statements.*

# Statement of accounting policies

For the year ended 30 June 2019

## REPORTING ENTITY

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

The group financial statements include its subsidiaries, GasNet Limited and New Zealand International Commercial Pilot Academy (NZICPA) which are also domiciled in New Zealand. On 1 July 2008 the two independent trading divisions of Wanganui Gas Limited, GasNet and Energy Direct NZ, were established as separate companies. Both companies are 100% owned by Wanganui Gas Limited. During 2013, the assets of Energy Direct NZ Ltd were sold and the company ceased to operate as an energy retailer. On 30 June 2016 Wanganui Gas Limited, Wanganui Gas No. 1 Limited, Wanganui Gas No. 3 Limited and GasNet Limited were amalgamated to become GasNet Limited. NZICPA was acquired at the start of the 2016 Financial Year and it is consolidated for the third time into the Group accounts.

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

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

The financial statements of WDCHL are for the year ended 30 June 2019. The financial statements were authorised for issue by the Board of Directors on 1<sup>st</sup> October 2018.

## BASIS OF PREPARATION

### Statement of compliance

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

These financial statements have been prepared in accordance with NZ GAAP.

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

### Measurement base

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

### Functional and presentation currency

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

### Changes to Accounting Policies

The company has adopted the following accounting standards during this financial year;

- IFRS 9 - Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers

The adoption of IFRS 16 – Leases, will be implemented in the 2019/2020 financial year.

## SIGNIFICANT ACCOUNTING POLICIES

### Basis of consolidation

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

### *Subsidiaries*

WDCHL consolidates as subsidiaries in the group financial statements all entities where WDCHL has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where WDCHL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by WDCHL or

where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

WDCHL measures the cost of a business combination as the aggregate of:

- the consideration transferred, which is generally measured at acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

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

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

### **Revenue**

Revenue is measured at the fair value of consideration received or receivable. The company satisfies its performance obligations of IFRS 15 and recognises revenue over time.

Revenue is derived from gas network distribution services. Such revenue is recognised when earned and is reported in the financial period to which it relates.

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

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

A grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

### **Borrowing costs**

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

### **Income Tax**

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

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

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

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

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

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

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

### **Cash and cash equivalents**

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

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

### **Debtors and other receivables**

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

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

### **Financial Instruments**

Financial instruments that potentially subject the Company to credit risk are cash and bank balances, debtors and investments. The Company is exposed to interest rate risk through the issuance of debt instruments. The Company is not subject to currency risk. Financial instruments are recognised in the Statement of Financial Position. Revenues and expenses in relation to financial instruments are recognised in the Statement of comprehensive income. Unless covered by a separate policy, all financial instruments are shown at their fair value. Therefore, as per the new standard IFRS 9 the company meets its requirements.

### **Financial assets**

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

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

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

#### *Financial assets at fair value through profit or loss*

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

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

After initial recognition, financial assets are measured at their fair values with gains or losses on remeasurement are recognised in statement of comprehensive income.

#### *Loans and receivables*

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

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

### **Impairment of financial assets**

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

#### *Loans and other receivables, and held-to-maturity investments*

Impairment is established when there is objective evidence that WDCHL will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use

of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, impairment losses are recognised directly against the instruments carrying amount.

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

### **Derivative financial instruments and hedge accounting**

WDCHL uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities.

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

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

The associated gains or losses of derivatives that are not hedge accounted are recognised in the statement of comprehensive income.

WDCHL designates certain 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 statement of comprehensive income in the period of the write-down.

### **Capital contributions**

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

### **Impairment of assets**

At each balance date WDCHL assesses whether there is any objective evidence that any asset has been impaired. Any impairment losses are recognised in the statement of comprehensive income.

### **Property, plant and equipment**

Property, plant and equipment consists of:

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

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

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

#### *Revaluation*

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

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

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

The results of revaluing are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not



recognised in other comprehensive income but is recognised in the statement of comprehensive income. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income up to the amount previously expensed, and then recognised in other comprehensive income.

#### *Additions*

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

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

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

#### *Disposals*

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

#### *Depreciation*

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

<b>Asset type</b>	<b>Depreciation rate</b>
Distribution Network Mains and Services	1-15% SL
Distribution Network Condition Renewals	2% SL
Gas Measurement Systems and Distribution Network Customer Stations	1-10% SL
Buildings	2% SL
Vehicles, Plant, Office Equipment and Furniture and Fittings	4-40 % SL
Computer Hardware	20-33% SL
Leasehold Improvements	2-20% SL
Aircraft	10% SL
Simulators	8-40% SL

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

#### **Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition the asset shall be carried at its fair value.

#### **Intangible assets**

##### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of WDCHL's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets".

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

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

##### *Software acquisition and development*

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

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

Staff training costs are recognised in the statement of comprehensive income when incurred.

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

#### *Amortisation*

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

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

Computer software	3 years	33%
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#### **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. In assessing value in use the estimated cashflows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks to the specific asset.

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

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

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

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

#### **Creditors and other payables**

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

#### **Borrowings**

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

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

#### **Employee entitlements**

##### *Short-term employee entitlements*

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

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

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

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

#### *Presentation of employee entitlements*

Annual leave expected to be settled within 12 months of balance date is classified as a current liability. All other employee entitlements are classified as a non-current liability.

#### **Equity**

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

The components of equity are:

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

#### **Goods and Service Tax (GST)**

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

#### **Critical accounting estimates and assumptions**

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

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

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

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

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

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

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

- a review of any prices for trades of similar intangible assets.
- an annual review of the appropriateness of the amortisation rate.
- analysis of prior intangible asset sales.

## Notes to the Financial Statements

For the year ended 30 June 2019

### 1. Finance income and finance costs

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b>Finance income</b>				
Interest income				
- from term loans	9	4	39	79
Dividend income	6,338	1,250	-	-
<b>Total finance income</b>	<b>6,347</b>	<b>1,254</b>	<b>39</b>	<b>79</b>
<b>Finance costs</b>				
Interest paid on fixed loans	835	910	835	837
<b>Total finance costs</b>	<b>835</b>	<b>910</b>	<b>835</b>	<b>837</b>

### 2. Other revenue

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Management fees	292	90	252	80
User charges	134	251	171	272
Grants - Council Harbour Endowment	269	470	269	470
Rental income	251	202	258	80
Sundry revenue	-	9	55	31
<b>Total other revenue</b>	<b>946</b>	<b>1,021</b>	<b>1,005</b>	<b>933</b>

### 3. Gains/(Losses)

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b>Non-financial instruments</b>				
Property plant and equipment gains/(losses) on disposal	-	-	-	12
Investment property gains/(losses)	387	-	-	-
<b>Total non-financial instruments gains/(losses)</b>	<b>387</b>	<b>-</b>	<b>-</b>	<b>12</b>
<b>Financial instruments</b>				
Gains/(losses) from derivative financial instruments	81	98	81	98
<b>Total financial instruments gains/(losses)</b>	<b>81</b>	<b>98</b>	<b>81</b>	<b>98</b>
<b>Total gains/(losses)</b>	<b>469</b>	<b>98</b>	<b>81</b>	<b>110</b>

### 4. Personnel costs

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Salaries and wages	88	105	2,022	1,858
Employer contributions to superannuation	-	-	33	34
Other personnel costs	-	-	57	57
Increase/(decrease) in employee entitlements/liabilities	(13)	3	-	(18)
Less capitalised labour	-	-	(176)	(114)
<b>Total personnel costs</b>	<b>75</b>	<b>108</b>	<b>1,936</b>	<b>1,818</b>

## Notes to the Financial Statements

For the year ended 30 June 2019

### 5. Other expenses

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Fees to principal auditor:				
- audit fees for financial statement audit	18	18	65	66
- audit related fees for disclosure regulations	-	-	46	41
Directors' fees	242	117	242	236
Rental and operating lease costs	-	-	267	82
Other operating costs	914	530	2,289	1,617
<b>Total operational expenses</b>	<b>1,174</b>	<b>666</b>	<b>2,909</b>	<b>2,042</b>

### 6. Tax

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b>Components of tax expense</b>				
Current tax expense	-	-	719	760
Deferred tax on temporary differences	-	-	(95)	(338)
Prior period adjustment	-	-	(589)	(646)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>(224)</b>

#### Relationship between tax expense and accounting profit

Surplus/(deficit) before tax	5,511	(878)	596	(850)
Tax @ 28%	1,543	(246)	167	(238)
Non-taxable income	(1,775)	49	-	-
Non-deductible expenditure	(227)	-	(225)	193
Deferred tax not recognised	459	197	-	283
Deferred tax adjustment	-	-	733	183
Prior period adjustment	-	-	(640)	(646)
<b>Total tax expense</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>(224)</b>

#### Deferred tax liability - group

All tax losses have been recognised in the group.

	Property plant and equipment	Provisions and derivatives	Tax losses	Total
	\$000	\$000	\$000	\$000
Balance 1 July 2017	6,693	(191)	(247)	6,255
Charged to profit and loss	(204)	29	(159)	(334)
Charged to equity	1,097	-	-	1,097
Balance 30 June 2018	7,586	(162)	(406)	7,018
Charged to profit and loss	(31)	9	(77)	(99)
Charged to equity	-	-	-	-
<b>Balance 30 June 2019</b>	<b>7,555</b>	<b>(154)</b>	<b>(483)</b>	<b>6,918</b>

The parent has not recognised a deferred tax asset in relation to temporary differences of \$313,000 (2018: \$817,206) and tax losses of \$1,342,000 (2018: \$784,043). The group has recognised these deferred tax assets.

The prior year tax liability for GasNet limited was offset by losses of \$755,411 from WDCHL and losses from WDC of \$96,937.

## Notes to the Financial Statements

For the year ended 30 June 2019

### 7. Cash and cash equivalents

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Cash at bank and on hand	207	137	841	1,309
Term deposits with maturities less than 3 months	-	-	-	2,868
<b>Total cash and cash equivalents</b>	<b>207</b>	<b>137</b>	<b>841</b>	<b>4,177</b>

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	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Trade debtors	343	419	2,447	2,026
Amounts due from related parties (Note 21)	-	-	-	-
Other receivables	5	5	121	76
Less provision for impairment	-	-	(8)	(18)
GST	-	40	-	40
<b>Total debtors and other receivables</b>	<b>348</b>	<b>464</b>	<b>2,560</b>	<b>2,124</b>

#### Fair value

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

The status of receivables as at 30 June 2019 and 2018 are detailed below:

	2019		
	Gross	Impairment	Net
	\$000	\$000	\$000
<b>Parent</b>			
Not past due	131	-	131
Past due 1-60 days	32	-	32
Past due 61-120 days	79	-	79
Past due > 120 days	106	-	106
<b>Total</b>	<b>348</b>	<b>-</b>	<b>348</b>

	2018		
	Gross	Impairment	Net
	\$000	\$000	\$000
<b>Parent</b>			
Not past due	155	-	155
Past due 1-60 days	63	-	63
Past due 61-120 days	59	-	59
Past due > 120 days	187	-	187
<b>Total</b>	<b>464</b>	<b>-</b>	<b>464</b>

	2019		
	Gross	Impairment	Net
	\$000	\$000	\$000
<b>Group</b>			
Not past due	2,423	-	2,423
Past due 1-60 days	1	-	1
Past due 61-120 days	18	-	18
Past due > 120 days	127	(8)	119
<b>Total</b>	<b>2,568</b>	<b>(8)</b>	<b>2,560</b>

	2018		
	Gross	Impairment	Net
	\$000	\$000	\$000
<b>Group</b>			
Not past due	2,019	-	2,018
Past due 1-60 days	54	-	54
Past due 61-120 days	2	-	2
Past due > 120 days	68	(18)	50
<b>Total</b>	<b>2,143</b>	<b>(18)</b>	<b>2,124</b>

## Notes to the Financial Statements

For the year ended 30 June 2019

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	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Collective impairment	-	-	-	-
Individual impairment	-	-	8	18
<b>Total provision for impairment</b>	-	-	<b>8</b>	<b>18</b>

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

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
At 1 July	-	1	18	10
Additional provisions made during the year	-	-	-	8
Provisions reversed during the year	-	(1)	-	-
Receivables written-off during period	-	-	-	-
<b>At 30 June</b>	-	-	<b>18</b>	<b>18</b>

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	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b>Current asset portion</b>				
Interest rate swaps - fair value hedges	-	-	-	-
	-	-	-	-
<b>Non-current asset portion</b>				
Interest rate swaps - fair value hedges	-	-	-	-
	-	-	-	-
<b>Total derivative financial instrument assets</b>	-	-	-	-
<b>Current liability portion</b>				
Interest rate swaps - fair value hedges	-	(41)	-	(41)
	-	(41)	-	(41)
<b>Non-current liability portion</b>				
Interest rate swaps - fair value hedges	(428)	(468)	(428)	(468)
	(428)	(468)	(428)	(468)
<b>Total derivative financial instrument liabilities</b>	(428)	(509)	(428)	(509)

#### 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 \$4,000,000 (2018 \$5,500,000) and for the Group were \$4,000,000 (2018 \$5,500,000). At 30 June 2019, the fixed interest rates of cash flow hedge interest rate swaps vary from 5.55% to 6.11% (2018 4.46% to 6.29%).

### 10. Inventories

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<i>Held for distribution/Commercial inventories</i>				
Network	-	-	297	297
Other	-	-	-	-
<b>Group Total inventories</b>	-	-	<b>297</b>	<b>297</b>

Inventories are pledged as security for liabilities \$296,983 (2017 \$296,917). There has been no write-down of commercial inventories to net realisable value (2018 nil).

## Notes to the Financial Statements

For the year ended 30 June 2019

### 11. Other financial assets

	Parent		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Current portion</b>				
Loans to related parties (NZICPA)	-	-	-	-
	-	-	-	-
<b>Non-current portion</b>				
Shares in subsidiaries (cost):				
GasNet Limited	18,800	18,800	-	-
NZICPA	1,316	1,025	-	-
	<b>20,116</b>	<b>19,825</b>	-	-
<b>Total other financial assets</b>	<b>20,116</b>	<b>19,825</b>	-	-

#### Fair value

##### *Loans to related parties*

WDCHL's agreement with NZICPA is that the loan is repayable on demand.

##### *Unquoted shares*

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

During the year 291,000 shares (2018 425,000) of NZICPA were issued to WDC Holdings, converting an advance to shares.

#### Impairment

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

### 12. Property, plant and equipment

#### Valuation

##### *Infrastructural assets*

The distribution network and the gas measurement systems had been carried at cost less depreciation. A revaluation at 30 June 2018 increased the carrying value of the Infrastructural assets by \$3.919 million. The revaluation was completed using a discounted cashflow methodology. A peer review was undertaken by Jeff Whitlock from Markham and Partners.

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



## Notes to the Financial Statements

For the year ended 30 June 2019

### 12. Property, plant and equipment

Holdings 2019	Cost/ valuation 1 July 2018 \$000	Accumulated depreciation and impairment charges 1 July 2018 \$000	Carrying amount 1 July 2018 \$000	Current year additions \$000	Current year transfers & disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated Depreciation eliminated on disposals, revaluations & transfers \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2019 \$000	Accumulated depreciation and impairment charges 30 June 2019 \$000	Carrying amount 30 June 2019 \$000
<i>Operational assets:</i>												
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Buildings Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fittings	-	-	-	21	-	-	-	-	-	21	-	21
Plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-
Computer hardware	-	-	-	-	-	-	-	-	-	-	-	-
Aircraft	503	(87)	416	1,290	-	-	(136)	-	-	1,793	(223)	1,570
Simulators	80	(23)	57	-	-	-	(8)	-	-	80	(31)	49
<b>Total</b>	<b>583</b>	<b>(110)</b>	<b>473</b>	<b>1,311</b>	<b>-</b>	<b>-</b>	<b>(144)</b>	<b>-</b>	<b>-</b>	<b>1,894</b>	<b>(254)</b>	<b>1,640</b>

Group 2019	Cost/ valuation 1 July 2018 \$000	Accumulated depreciation and impairment charges 1 July 2018 \$000	Carrying amount 1 July 2018 \$000	Current year additions \$000	Current year transfers & disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated Depreciation eliminated on disposals and revaluations \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2019 \$000	Accumulated depreciation and impairment charges 30 June 2019 \$000	Carrying amount 30 June 2019 \$000
<i>Infrastructural assets:</i>												
Distribution network	30,794	-	30,794	723	-	-	(944)	-	-	31,518	(944)	30,573
Work in Progress	19	-	19	458	(462)	-	-	-	-	15	-	15
Gas measurement system	4,177	-	4,177	169	-	-	(278)	-	-	4,346	(278)	4,068
<i>Operational assets:</i>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	2,176	(30)	2,146	387	-	-	-	-	-	2,563	(30)	2,533
Buildings Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	163	(143)	19	2	( )	-	(3)	-	-	164	(146)	19
Vehicles	294	(222)	72	65	-	-	(31)	-	-	359	(253)	106
Office equipment	29	(12)	17	10	-	-	(7)	-	-	38	(19)	20
Furniture and fittings	248	(22)	226	27	(3)	-	(26)	3	-	275	(48)	227
Plant and equipment	327	(250)	77	131	-	-	(37)	-	-	458	(287)	171
Computer hardware & software	106	(98)	8	2	(16)	-	(6)	16	-	109	(103)	4
Aircraft	503	(87)	416	1,290	-	-	(136)	-	-	1,793	(223)	1,568
Simulators	80	(23)	57	-	-	-	(8)	-	-	80	(31)	49
<b>Total</b>	<b>38,955</b>	<b>(887)</b>	<b>38,067</b>	<b>3,265</b>	<b>(481)</b>	<b>-</b>	<b>(1,476)</b>	<b>19</b>	<b>-</b>	<b>41,757</b>	<b>(2,363)</b>	<b>39,393</b>

## Notes to the Financial Statements

For the year ended 30 June 2019

### 12. Property, plant and equipment cont...

Holdings 2018	Cost/ valuation 1 July 2017 \$000	Accumulated depreciation and impairment charges 1 July 2017 \$000	Carrying amount 1 July 2017 \$000	Current year additions \$000	Current year disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated Depreciation eliminated on disposals and revaluations \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2018 \$000	Accumulated depreciation and impairment charges 30 June 2018 \$000	Carrying amount 30 June 2018 \$000
<i>Operational assets:</i>												
Buildings	331	(44)	287	6	(337)	-	(39)	83	-	-	-	-
Buildings Work in progress	1,263	-	1,263	912	(2,176)	-	-	-	-	-	-	-
Vehicles	12	(6)	6	10	(22)	-	(1)	8	-	-	-	-
Office equipment	23	(17)	6	-	(23)	-	(3)	20	-	-	-	-
Furniture and fittings	3	(2)	1	230	(233)	-	(10)	11	-	-	-	-
Plant and equipment	811	(246)	565	-	(459)	(352)	(46)	292	-	-	-	-
Computer hardware	4	(3)	1	-	(4)	-	-	3	-	-	-	-
Aircraft	278	(50)	228	225	-	-	(38)	-	-	503	(87)	416
Simulators	80	(15)	65	-	-	-	(8)	-	-	80	(23)	57
<b>Total</b>	<b>2,804</b>	<b>(382)</b>	<b>2,422</b>	<b>1,383</b>	<b>(3,255)</b>	<b>(352)</b>	<b>(145)</b>	<b>416</b>	<b>-</b>	<b>582</b>	<b>(110)</b>	<b>473</b>

Group 2018	Cost/ valuation 1 July 2017 \$000	Accumulated depreciation and impairment charges 1 July 2017 \$000	Carrying amount 1 July 2017 \$000	Current year additions \$000	Current year disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated Depreciation eliminated on disposals and revaluations	Revaluation movement \$000	Cost/ revaluation 30 June 2018 \$000	Accumulated depreciation and impairment charges 30 June 2018 \$000	Carrying amount 30 June 2018 \$000
<i>Infrastructural assets:</i>												
Distribution network	30,441	(3,216)	27,225	954	-	-	(836)	4,052	3,451	30,795	-	30,795
Work in Progress	200	-	200	113	(294)	-	-	-	-	19	-	19
Gas measurement system	4,713	(973)	3,740	235	-	-	(266)	1,238	468	4,177	-	4,177
<i>Operational assets:</i>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	331	(45)	287	6	1,839	-	(39)	83	-	2,176	(30)	2,146
Buildings Work in progress	1,263	-	1,263	912	(2,176)	-	-	-	-	-	-	-
Leasehold improvements	163	(133)	28	-	-	-	(9)	-	-	163	(143)	19
Vehicles	290	(232)	60	60	(22)	-	(65)	41	-	294	(222)	72
Office equipment	39	(19)	16	13	(23)	-	(9)	20	-	29	(12)	17
Furniture and fittings	18	(13)	5	233	(3)	-	(13)	2	-	248	(22)	226
Plant and equipment	1,123	(476)	650	14	(459)	(352)	(68)	292	-	327	(250)	77
Computer hardware & software	105	(95)	11	5	(4)	-	(7)	3	-	106	(98)	8
Aircraft	278	(48)	228	225	-	-	(38)	-	-	503	(87)	416
Simulators	80	(15)	65	-	-	-	(8)	-	-	80	(23)	57
<b>Total</b>	<b>39,082</b>	<b>(5,266)</b>	<b>33,817</b>	<b>2,769</b>	<b>(1,143)</b>	<b>(352)</b>	<b>(1,358)</b>	<b>5,730</b>	<b>3,919</b>	<b>38,954</b>	<b>(887)</b>	<b>38,067</b>

## Notes to the Financial Statements

For the year ended 30 June 2019

### 13. Intangible assets

	WDCHL goodwill \$000	Group software & licences \$000	Group goodwill \$000	Group total \$000
Movements for each class of intangible asset are as follows:				
Balance at 1 July 2018				
Cost	1,697	443	9,749	11,890
Accumulated amortisation and impairment	(1,697)	(424)	-	(2,121)
Opening carrying amount		19	9,749	9,768
Year ended 30 June 2019				
Additions	-	19	-	19
Disposals /Transfers (cost)	-	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-	-
Amortisation and impairment charge	-	(16)	-	(16)
Closing carrying amount		22	9,749	9,771
Balance at 30 June 2019				
Cost	1,697	463	9,749	11,910
Accumulated amortisation and impairment	(1,697)	(440)	-	(2,137)
Closing carrying amount	-	23	9,749	9,772
Balance at 1 July 2017				
Cost	2,226	443	9,749	12,418
Accumulated amortisation and impairment	(624)	(387)	-	(1,011)
Opening carrying amount	1,602	56	9,749	11,406
Year ended 30 June 2018				
Additions	-	1	-	1
Disposals (cost)	(528)	-	-	(528)
Accumulated Depreciation eliminated on Disposal	-	-	-	-
Amortisation & impairment charge	(1,073)	(37)	-	(1,110)
Closing carrying amount		20	9,749	9,769
Balance at 30 June 2018				
Cost	1,697	443	9,749	11,891
Accumulated amortisation and impairment	(1,697)	(424)	-	(2,121)
Closing carrying amount		19	9,749	9,769

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

#### Goodwill

WDCHL Goodwill relates to the purchase of the assets of the Port. Group Goodwill arises on consolidation of GasNet Limited and NZICPA in the books of WDCHL.

### 14. Creditors and other payables

	Parent 2019 \$000	2018 \$000	Group 2019 \$000	2018 \$000
Trade payables and other accrued expenses	372	69	700	366
Amounts due to related parties (note 21)	-	61	11	143
GST	129	-	237	118
Accrued interest expenses	114	120	153	159
	<b>616</b>	<b>250</b>	<b>1,102</b>	<b>787</b>

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 2019

### 15. Employee entitlements

	Parent		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Current portion</b>				
Accrued pay	-	-	63	48
Annual leave	-	13	113	96
Sick leave	-	-	-	-
Retirement and long service	-	-	-	-
<i>Total current portion</i>		13	176	145
<b>Total employee entitlements</b>		<b>13</b>	<b>176</b>	<b>145</b>

### 16. Borrowings

	Parent		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Current portion</b>				
Secured loans	-	3,700	-	2,350
Finance leases	-	-	-	-
<i>Total current portion</i>	-	3,700	-	2,350
<b>Non-current portion</b>				
Secured loans - Port	-	-	-	-
Secured loans - Other	12,371	12,400	12,371	12,400
Finance leases	-	-	-	-
<i>Total non-current portion</i>	12,371	12,400	12,371	12,400
<b>Total borrowings</b>	<b>12,371</b>	<b>16,100</b>	<b>12,371</b>	<b>14,750</b>

#### Secured loans

WDCHL's secured debt of \$12,370,739 (2018 \$16,100,000) 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 1.05% to 1.9% 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Total Secured loans Parent	12,371	12,400	12,400	12,400
Total Secured loans Group	12,371	12,400	12,400	12,400

## Notes to the Financial Statements

For the year ended 30 June 2019

### 17. Equity

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b>Share capital</b>				
Balance at 1 July	7,846	7,846	7,846	7,846
Ordinary shares - issued & paid up	-	-	-	-
Balance at 30 June	7,846	7,846	7,846	7,846
<b>Retained earnings</b>				
Balance at 1 July	(454)	424	14,261	14,886
Surplus/(deficit) for the year	5,511	(878)	562	(625)
Share repurchase	-	-	-	-
Dividends paid	(1,000)	-	(1,000)	-
Balance at 30 June	4,057	(454)	13,823	14,261
<b>Asset revaluation reserve</b>				
Balance at 1 July	-	-	8,342	5,521
Revaluation gains/(losses)	-	-	-	3,919
Deferred tax on revaluation	-	-	-	(1,097)
Balance at 30 June	-	-	8,342	8,342
Distribution network	-	-	7,740	8,054
Gas measurement system	-	-	602	288
Balance at 30 June	-	-	8,342	8,342

#### Share capital

Authorised shares 31,945,700 (2018: 31,945,700)

As at 30 June 2019 WDCHL has 7,845,800 shares issued and fully paid up (2018: 7,845,800). The fully paid shares are all ordinary shares. The remaining authorised shares are redeemable preference shares. ANZ Bank has first option on any call made on uncalled capital.

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

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b>Surplus/(deficit) after tax</b>	<b>5,511</b>	<b>(878)</b>	<b>562</b>	<b>(626)</b>
<b>Add/(less) non-cash items:</b>				
Depreciation and amortisation expense	167	145	1,490	1,358
(Gains)/losses from derivative financial instruments	(81)	(98)	(81)	(98)
Other non-cash items - including Impairment & revaluations	(387)	1,425	-	1,413
	5,209	593	1,971	2,047
<b>Add/(less) items classified as investing or financing activities:</b>				
Increase/(decrease) in deferred tax	-	-	(98)	(337)
	-	-	(98)	(337)
<b>Add/(less) movements in working capital items:</b>				
Income in advance	-	-	-	437
Accounts receivable	116	(119)	160	(279)
Inventories	-	-	7	(11)
Accounts payable	365	(1,046)	524	(1,469)
Income tax payable	-	-	(495)	115
Employee entitlements	(12)	1	(14)	14
	469	(1,164)	183	(1,193)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5,679</b>	<b>(572)</b>	<b>2,056</b>	<b>517</b>

## Notes to the Financial Statements

For the year ended 30 June 2019

### 19. Commitments

#### Capital commitments

The company has capital commitments of \$1.35 million for property, plant and equipment (2018 \$Nil).

#### Operating leases as a lessor

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Not later than one year	113	113	436	187
Later than one year and not later than five years	283	396	749	235
Greater than five years	-	-	306	14

### 20. Contingencies

At 30 June 2019 there are no contingent liabilities or assets (2018 nil).

### 21. Related party transactions

WDCHL is a wholly owned subsidiary of the Whanganui District Council and 100% owns GasNet Limited, 100% of Whanganui Port Limited, and 100% of the New Zealand International Commercial Pilot Academy Limited

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b>Whanganui District Council</b>				
Loans to WDCHL	-	2,350	-	2,350
Port Grant provided to WDCHL	219	470	219	470
Provincial growth fund grant provided to WDCHL	50	-	-	-
Services provided by WDC	-	42	449	373
Interest paid to WDC	138	164	138	164
Management fees paid to WDCHL	292	80	292	80
Accounts payable to WDC	-	61	10	142
Accounts receivable from WDC	-	14	-	14
Subvention payment to Whanganui District Council	-	-	600	600
Services provided to WDC	79	80	79	80
Tax losses transferred from WDC to GasNet	-	-	97	1,594
<b>GasNet Limited</b>				
Loan advance to WDCHL	-	1,350	-	-
Dividend paid to WDCHL	6,338	1,250	-	-
Interest paid to GasNet Limited.	-	73	-	-
Management Fee payable to WDCHL	-	10	-	-
Accounts payable to WDCHL	-	12	-	-
Tax losses transferred from WDCHL to GasNet	755	712	-	-
<b>NZICPA</b>				
Loan advance from WDCHL	-	-	-	-
Grant from WDCHL	-	-	-	-
Accounts payable to WDCHL	-	-	-	-
Rental of Planes, simulators and Property	198	122	-	-
Accounts receivable from NZICPA	338	289	-	-
<b>Consultancy fees paid to directors during the year were</b>				
Matthew Doyle (including Doyle & Associates Limited)	98	3	127	41
Peter Hazledine	-	-	-	23
Harvey Green	-	-	-	27
Annette Main	29	-	29	-
David Rae (including David Rae Associates Limited)	14	-	14	-

## Notes to the Financial Statements

For the year ended 30 June 2019

	<b>Parent</b>		<b>Group</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Key management personnel compensation</b>				
Salaries and short term employee benefits	242	116	703	652
Other long-term benefits	-	-	-	-
	<b>242</b>	<b>116</b>	<b>703</b>	<b>652</b>

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

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

### 22. Remuneration

	<b>Parent</b>		<b>Group</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<i>Directors</i>				
Directors received the following remuneration:				
Matthew Doyle (WDCHL Group)	52	11	52	57
Rob Vinsen (WDCHL director - retired March 2018)	-	17	-	17
Annette Main (WDCHL Group Chair)	52	33	52	33
Ken Mair (WDCHL director - retired September 2017)	-	6	-	6
David Rae (WDCHL Group - appointed March 2018)	42	13	42	13
Simon Karipa (WDCHL Group - appointed March 2018)	42	13	42	13
Harvey Green (GasNet/NZICPA director)	-	-	-	39
Charles Anderson (WDCHL Group/NZICPA)	12	2	12	12
Peter Hazledine (WDCHL Group)	42	21	42	46
	<b>242</b>	<b>116</b>	<b>242</b>	<b>236</b>

### 23. Events after the balance date

The company, in partnership with Te Ngakinga o Whanganui purchased the former St George's School buildings on 9 August 2019.

### 24. Financial instruments

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

	<b>Parent</b>		<b>Group</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial assets</b>				
<b>Fair value through profit or loss - held for trading</b>				
Derivative financial instrument assets	428	509	428	509
<b>Loans and receivables</b>				
Cash and cash equivalents	207	137	841	4,177
Debtors and other receivables	348	464	2,560	2,124
Other financial assets:				
- term deposits	-	-	-	-
- loans to related parties	-	-	-	-
<b>Financial liabilities at amortised cost</b>				
Creditors and other payables	616	251	1,102	787
Borrowings:				
- secured loans	12,371	16,100	12,371	14,750
<b>Fair value through comprehensive income</b>				
- net change in fair value of CFDs	-	-	-	-

## 25. Non-current assets held for sale

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b>Port Assets</b>				
Buildings	-	281	-	281
Plant and Equipment	-	186	-	186
Computers, Fixtures, fittings & office equipment	-	5	-	5
Goodwill	-	528	-	528
	-	1,000	-	1,000

The Council has approved the transfer of the Port assets back to the Council. The transfer went through in April 2019, with Council paying WDCHL an agreed price for the assets.

## 26. Investment property

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Balance at 1 July	2,364	-	-	-
Additions	278	-	-	-
Disposals/Transfers	-	2,406	-	-
Depreciation	(23)	(42)	-	-
Fair value gains/(losses) on valuation	387	-	-	-
<b>Balance at 30 June</b>	<b>3,006</b>	<b>2,364</b>		

Investment property includes furniture and fittings held on the cost model basis, and land & buildings held at fair value. At a group level the assets are considered to be operational and are classified as Property Plant and Equipment.

Investment property assets held at fair value are valued annually effective 30 June. Fair value is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued (Morgans Property Advisors).

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

	Parent		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<b><u>Revenue and expenses in relation to investment properties:</u></b>				
Rental revenue	113	57	-	-
Expenses from investment property generating revenue	7	1	-	-
Expenses from investment property not generating revenue	-	-	-	-
Contractual obligations for capital expenditure	-	-	-	-
Contractual obligations for operating expenditure	-	-	-	-



## Statement of service performance

For the year ended 30 June 2019

### Whanganui District Council Holdings Limited

#### Objectives

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

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

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

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

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

The Directors all have extensive and varied commercial experience which when combined provides a wide set of skills that can provide solutions to issues of inefficiency or under-utilisation of capital.

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

In 2014, as a result of the review, it was decided to replicate the Directors of Wanganui Gas Limited onto the Board of Whanganui District Council Holdings Limited to provide for a more streamlined and co-ordinated governance model. In addition, WDCHL's directors investigated new commercial projects such as property development opportunities, and the expansion of flight school operations.

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

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

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

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

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

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

## Performance targets

- 2 To meet the dividend expectations of its shareholder while still maintaining sufficient cashflow to meet its own working capital needs*

	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>
Dividend paid	\$1,000,000	\$1,000,000	\$0

- 3 To facilitate its subsidiary Companies and other investments or undertakings assigned to it to achieve investment objectives per clause 2 and the performance targets identified in their Statements of Intent or as outlined in WDC's 2018-28 Long Term Plan.*

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

## GasNet Limited

### Statement of Intent

GasNet Limited (the Company) is a company formed in accordance with and registered under the Companies Act 1993. The Company is incorporated in New Zealand and is domiciled in Wanganui, New Zealand. The Company's parent entity is Wanganui Gas Limited.

The Statement of Intent sets out the overall intentions and objectives of GasNet Limited for the year beginning 1 July 2018.

### Objectives

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

The Company aims to provide a reasonable rate of return to its Shareholder after retaining adequate earnings for future business requirements.

### Activities

The Company's core business is that of network infrastructure utility company with interests in natural gas distribution networks.

### Performance Targets

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

#### *KPIs*

	<b>Target 2018/19</b>	<b>Actual 2018/19</b>	<b>Actual 2017/18</b>
<u>Health and Safety</u>			
Incidents Reported (No)	5	4	3
Lost Time Incidents	0	2	0
Lost Time Rate	0	1	0
<u>Financial Performance</u>			
EBITDA (before Subvention payment)	\$3.45m	\$3.46m	\$3.53m
Capex Depreciation Ratio	1	0.78	0.9
Rate of Return (minimum)	6.4%	9.5%	8.24%
Accumulated profits and capital reserves distributed to shareholder	\$1.60m	\$6.34m	\$1.25m
<u>Network Throughput</u>			
Total Throughput	1.32 PJ	1.28 PJ	1.24 PJ
UFG (Unaccounted For Gas)	1.00%	0.68%	1.40%
<u>Operational Financial Performance</u>			
Direct & Indirect Costs per consumer	\$199	\$208	\$210
Direct & Indirect Costs per GJ conveyed	\$1.55	\$1.64	\$1.69
<u>Network Reliability</u>			
<i>Planned Interruptions (Class B)</i>			
Consumer Hours Lost	200	162.90	310.27
SAIDI	923.43	745.14	1,428.70

	Target 2018/19	Actual 2018/19	Actual 2017/18
SAIFI	7.70	6.86	6.14
CAIDI	120.00	108.60	232.7
<i>Unplanned Interruptions (Class C)</i>			
Consumer Hours Lost	75	91.97	640.17
SAIDI	346.29	420.68	2947.81
SAIFI	4.23	5.11	7.14
CAIDI	81.82	82.36	413.01
<i>Unplanned Third Party Interruptions (Class I)</i>			
Consumer Hours Lost	50	135.93	18.65
SAIDI	230.86	621.79	85.88
SAIFI	2.31	2.97	1.07
CAIDI	100.0	209.13	79.93
<i>Total Interruptions</i>			
Consumer Hours Lost	325	390.80	969.09
SAIDI	1500.58	1787.60	4462.39
SAIFI	14.24	14.94	14.35
CAIDI	105.41	119.63	310.94
Third Party Interference Damage (No)	30	25	22
Public Reported Gas Escapes (No)	50	44	28

SAIDI - represents the average number of minutes that a consumer was without gas during the reporting period

SAIFI - represents the average number of interruptions that a consumer experiences during the reporting period

CAIDI - represents the average duration in minutes that a consumer experienced during the reporting period

## Assessment

The Company is of the opinion that, as a reasonable and prudent operator, it has achieved the above performance targets within acceptable margins and continues to exercise tight cost controls on the financial KPI's.

The company advanced \$6.338M to the parent Whanganui District Council Holdings Ltd as a dividend. With a target of \$1.6M the higher amount paid during the year was due to a number of extraordinary one off payments as follows.

- Divestment of Network Assets \$2.828M
- Special Dividend (Conversion of Investment to Dividend) \$1.350M
- Ordinary Dividend (Target \$1.6M) \$2.160M

With its focus on ensuring the health and safety of its employees and the safe transportation and delivery of gas to consumers, the low number of incidents reflects the company's commitment to health and safety. The two Lost Time Incidents were due to trip, slip & fall injury incidents each resulting in the loss of one working day. The triennial recertification audit of the company's Public Safety Management System (PSMS) was successfully completed by Telarc in March 2019 followed by the statutory declaration to Energy Safety.

Throughput of gas through the network was higher than the previous year despite being slightly lower than target, and connection numbers increased with a record number of 118 new consumer connections made during the year, a number not exceeded since 2008 when 122 connections were made.

Planned network interruptions (Class B) were similar in number to the previous three year's whilst the total duration of interruptions was half the previous year. This was due to fewer number of interruptions for main renewals which tend to be longer in duration and more interruptions for locating unmapped gas service pipes, which require a relatively short duration of interruption.

There were a similar number of similar duration unplanned interruptions (Class C) this year as in previous years except for the 2017-2018 year, when one event involving water inundation of mains resulted in multiple consumers losing supply for around 20 hours each.

The number of unplanned supply interruptions caused by third party damage (Class I) were marginally higher than in previous years and the total duration of interruptions was correspondingly higher. One event involving damage to a gas main in Marton contributed 22 to the total of 39 interruptions.

The Board has met on eight occasions during the financial year and have closely monitored the company's progress, using a substantial range of both financial and non-financial measures.

## **New Zealand International Commercial Pilot Academy Limited (NZICPA)**

### **Description of Entity's outcomes**

The New Zealand International Commercial Pilot Academy (NZICPA) trains professional flight-deck crew for the global aviation industry. The business is a wholly owned subsidiary of Whanganui District Council Holdings Limited (WDCHL).

The business was established under a regional economic development mandate and accordingly seeks to enable spend from New Zealand and international students within the district.

NZICPA acts in alignment with corporate social responsibility best practice, and this is particularly focused on a community approach to youth development. This is facilitated through our pastoral care operations at the Dublin Street student flats, and other accommodation providers used within the Whanganui city. The new Nazareth student facility has been settled on the 9<sup>th</sup> of August 2019, and this will further add to the pastoral care and community economic development goals with the employment of new staff, and facility managers.

### **Description and Quantification of the Entity's outputs**

The Company provides professional flight training programmes for New Zealand and International students. New Zealand students typically complete training a Private Pilot Licence, or a level 5 or 6 New Zealand Diploma in Aviation qualification. Flight training and education is delivered under New Zealand rules and regulations for both education and aviation, including those established by; Tertiary Education Commission (TEC) and New Zealand Qualifications Authority (NZQA) and Civil Aviation Authority (CAA).

NZICPA delivers the following programmes and or qualifications:

- Private Pilot Licence (aeroplane).
- Commercial Pilot Licence (aeroplane).
- New Zealand Multi-engine Instrument Rating.
- Aerobatics Rating.
- New Zealand Diploma in Aviation (Aeroplane) General Aviation Strand (level 5)
- New Zealand Diploma in Aviation (Aeroplane) Flight Instruction Strand (level 6)
- New Zealand Diploma in Aviation (Aeroplane) Airline Preparation Strand (level 6)

Generally, in New Zealand the minimum pilot hours requirement for employment by a passenger airline exceeds the hours attained during flight training. Accordingly many young pilots are employed as flight instructors following their training courses to gain experience. NZICPA employs a high number of graduates who have completed the initial flight instructor qualification.

### **Performance Results**

The Company is regularly assessed through detailed independent audits of our aviation training provision, our education quality, and as a Council Controlled Organisation - Audit NZ audits our financial results.

- NZICPA has maintained the highest education organisation ranking against the NZQA External Evaluation and Review (EER) assessment criteria, being Highly Confident in Educational Performance (1), and Highly Confident in Capability in Self-Assessment.

- The Company has completed the CAA audits for both certificates, including the Part 141 approved training organisation (ATO), and Part 135 air operator. The detailed and comprehensive audit was completed with no findings.
- The Company is also a signatory to the Code of Practice for the Pastoral Care of International Students

## Description and Quantification of the Entity's Outputs

NZICPA delivered an improved performance during the FY 18/19. Increasing flying hours from 3,926 to 7,015 and revenue from \$1,291,007 to \$2,278,081.

The transition to Whanganui has continued to result in increased costs. As the entity continues to grow to a stage where it can be premier venue for flight training and financially self sufficient.

NZICPA maintained superior results against CAA and NZQA measures of performance.

	2019	2019 SOI	2018
<b>Description and Quantification of the Entity's Outputs</b>			
EBITDA for the year before one off costs	(308,260)	-	(436,679)
One off Costs	19,850	-	-
EBITDA	(328,110)	100,000	(436,679)
Return %	(89)	15	(84)
	2019	2019 SOI	2018
<b>Other Performance Objectives</b>			
Donations	100	500	100
Flying hours available to community groups	55	50	67

The target ratio of consolidated shareholders' funds (including parent company advances) to total assets for the period covered by this Statement of Intent shall be less than 50%. This target ratio does not take into account unusual or one-off type transactions that impact this ratio.

The Ratio for the year was 14.5% (2018:25.1%) so within the range set out on the Statement of Intent.

	2019	2019 SOI	2018
Consolidated Shareholder Funds	\$368,960	-	\$520,130
Total Assets	\$2,538,913	-	\$2,074,448
Ratio Shareholder Funds Divided by Total Assets	14.5%	< 50%	25.1%

NZICPA maintained currency with all external creditors throughout the year. The only creditor with an aged balance at year end was Whanganui District Council Holdings Limited the owner.

	2019	2019 SOI	2018
Student Numbers	63	55	48
Flying Hours	7,015	7,200	3,926
Margin per Flying Hour	\$62	\$40	\$65
Holdings aircraft utilization percentage	64%	50%	56%

## Independent Auditor's Report

### To the readers of Whanganui District Council Holdings Limited's group financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Whanganui District Council Holdings Limited Group (the Group). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

### Opinion

We have audited:

- the financial statements of the Group on pages 9 to 32, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the statement of accounting policies and the notes to the financial statements that include and other explanatory information; and
- the statement of service performance of the Group on pages 33 to 39.

In our opinion:

- the financial statements of the Group on pages 9 to 32:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 33 to 39 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2019.

Our audit was completed on 30 September 2019. This is the date at which our opinion is expressed.



The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

## **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

## **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 8, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

## **Independence**

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out assurance engagements for subsidiaries pursuant to the Gas Distribution Information Disclosure Determination 2012 - (consolidated in 2015); the Gas Distribution Services Default Price-Quality Path Determination 2013; and an agreed upon procedure over the prudential financial standards prepared by the Board for TEC, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the company.



Debbie Perera  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand