

Whanganui District Council Holdings Limited

Annual Report

For the year ended 30 June 2021

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Directory

Registered office	Whanganui District Council 101 Guyton Street Whanganui Telephone (06) 349 0001 Fax (06) 349 0000 email wdc@whanganui.govt.nz
Postal address	PO Box 637 Whanganui
Directors	Declan Millin (Chair) Simon Karipa Carolyn van Leuven
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Whanganui
Solicitors	Armstrong Barton
Shareholding as at 30 June 2021	Whanganui District Council 100%

Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2021. The Company was incorporated on 12 March 2002.

Activities

The Group's principal activity is that of investments. Whanganui District Council Holdings Limited (WDCHL) 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 Group 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 group surplus of \$874,000 for the year ended 30 June 2021. Equity at the end of the year was \$31,033,000.

Dividends

The group did not pay dividends for the year ended 30 June 2021 (2020: nil).

Directors and their remuneration

Directors fees paid by WDCHL during the year were as follows:

Declan Millin	\$25,000
Carolyn Van Leuven	\$25,000
Annette Main	\$36,000
Matthew Doyle	\$46,000
David Rae	\$56,000
Simon Karipa	\$34,000
Peter Hazledine	\$50,000
Charles Anderson (NZIPCA)	\$25,000

Directors' and officers' insurance

Pursuant to Sections 162(3) and 162(4) of the Companies Act 1993 and WDCHL constitution, Whanganui District Council Holdings Limited has affected liability insurance cover for Directors and Officers up to \$5 million. WDCH has paid 100% of the premium for this cover.

Shareholding by directors

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

Use of WDCHL information

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

Auditor's remuneration

The group audit fees for the current year will be \$93,981.

Donations

There were no donations for the year (2020 \$nil).

Employee Remuneration

There were no employees of WDCHL who received total remuneration benefits of more than \$100,000 per annum (2020 nil).

Directors' Interests

The Directors have made the following declarations of interest:


Name:	Company/Interest:
Matthew Doyle	Doyle & Associates – The Accountants Limited
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
	32 TQ Limited
	McCarthy Transport Assets Limited
	McCarthy Transport Holdings Limited
	McCarthy Transport Contractors Limited
	Doyle Audit Chartered Accountants Limited
Peter Hazledine (resigned 14 October 2021)	Altosa Forestry Company Limited
	Hazledine Consulting
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
Simon Karipa	Paraekaretu Solutions Limited
	Whanganui Iwi Fisheries Limited
	Te Ngakinga o Whanganui Investment Trust
	Karipa Marumaru Whānau Trust
	Parewānui Trust
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
	Maara Moana Limited
	Puramakau 2L Limited
	Puramakau 2M Limited
	Puramakau 2N Limited
	Puramakau 2O Limited
	Te Kumara 3L Limited
	Waikato 1B Limited
	Waikato 1C Limited
	Waikato 1D Limited
	Te Pūia Tāpapa GP Limited
	Crown Forestry Rental Trust
	Te Kotahi o Te Tauihu Charitable Trust
Annette Main (resigned 1 April 2021)	Te Korire Trust
	Lovely Food Co.
	The Kitchen Whanganui
	Taiata
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
	UCOL (Universal College of Learning)

		Whanganui Community Foundation
Declan Millin (appointed 1 October 2020)		Tin Town Consulting Limited
		PM Family Trust
		Nga Tangata Tiaka o Whanganui
		Morikaunui Incorporation
		Te Rūnanga o Tūpoho
		Whanganui District Council Holdings Limited
David Rae (resigned 14 October 2021)		Astronomy NZ Limited
		PIF Guardians Limited
		Whanganui District Council Holdings Limited
		GasNet Limited
		New Zealand International Commercial Pilot Academy Limited
		The New Zealand Refining Company Pension Fund
		The New Zealand Refining Nominees Limited
		MyFiduciary Limited
		David Rae Associates Limited
		Te Puia Tapapa Limited Partnership
		Public Infrastructure Partners Fund III
		Galileo Green Energy GmbH
Carolyn van Leuven (appointed 1 October 2020)		Public Trust Investment Committee
		Te Atiawa o te Waka-a-Maui
		Te Atiawa o te Waka-a-Maui Trust
		Whanganui District Council Holdings Limited

Company's Affairs

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


Carolyn Van Leuven
Chair


Lucy Elwood
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 2021.

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 2021 concluded another challenging year with COVID-19 continuing to impact on NZICPA due to the closure of the NZ borders resulting in the inability for international students to enter the country, and the Climate Change Commissions' recommendations which have the potential to impact on GasNet's medium-long term business.

The agreement between NZICPA and India's largest passenger airline IndiGo continues to be well supported by both as they wait for the New Zealand borders to reopen and work toward building a robust cadet program together.

An application from Aviation NZ to the government, supported by NZICPA and other NZ based pilot training organisations, seeking approval of student visas for international pilot training continues to gain traction and there is optimism that it will be successful and that international students may return to NZICPA as soon as early 2022.

In the meantime the first tranche of IndiGo students who arrived in February 2020 are close to completion of their training with the last student expected to complete in September 2021.

As the student numbers decline and the occupancy rates drop WDCHL will be actively pursuing alternative uses for the accommodation whilst balancing the needs of NZICPA when the borders eventually reopen and the international students return.

The agreement signed in March 2020 to purchase additional aircraft from Canadian based Diamond Aircraft Industries continues on hold whilst WDCHL remains genuinely committed to work with Diamond when circumstances allow.

Similarly the Advanced Aviation Hub remains on hold until such time that there is sufficient interest in the facilities and the revised business case proves viable.

In June 2021 the decision was made to close the main 2-storey building at 125 Grey Street, Whanganui (formerly known as YMCA and St Georges) due to the earthquake risk to it and the outlying buildings, with the exception of the YMCA Early Childhood Education (ECE) Centre. The property was purchased in 2019 under a joint venture with Te Ngakinga with the intention of providing the location for the Whanganui based Advanced Aviation Hub. The building was tenanted by YMCA and NZICPA, both of which are now vacating the affected buildings.

As has been the case for many others in New Zealand COVID-19 and the closure of the borders has had a significant impact on the plans for both WDCHL and NZICPA, and to a much lesser extent GasNet. It is with some optimism that the situation will improve in the coming financial year.

The impact of COVID-19 on GasNet has been minimal although it has increased its stockholdings in response to shortage of supply and longer lead times with some products used by the company.

The release of the Climate Change Commission's draft report on its advice to Government raised a number of issues that could impact GasNet in the medium to long term. Although its dependency on natural gas as a non-renewal fuel cannot be ignored, it is considered by many that natural gas will have a role to play as NZ moves to a low carbon future. After having received the Commission's final recommendation in June 2021 the NZ Government is required to respond by 31 December 2021 with its decision.

The primary focus of the WDCHL Board 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. 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:

Declan Millin – Chair (appointed as Director on 1 October 2020 & Chair on 23 March 2021)
Simon Karipa
Carolyn van Leuven (appointed 1 October 2020)
Annette Main – Chair (resigned Chair on 22 March 2021 and as Director on 1 April 2021)
Matthew Doyle (resigned 14 October 2020)
Peter Hazledine (resigned 14 October 2020)
David Rae (resigned 14 October 2020)

All changes in Directorships during the year were as a result of the WDC-initiated governance review of WDCHL in 2020.

All directors have brought different sets of skills to contribute to consensus decision-making at the board table.

PERSONNEL

The Directors would like to acknowledge the work of Phill Bedford (CEO) and the team at NZICPA, Jim Coe (GM) and his team at GasNet, and Geoff Evans (GM at WDCHL) for their effort and achievements during another very busy and challenging 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 and NZICPA has trained the highest number of pilot students in flight training it has had since the company was formed in 2015.

Although the year has had some notable challenges, the Directors and officers of WDCHL and its subsidiaries NZICPA and GasNet remain committed and determined to manage the coming months and years as the situation under COVID-19 changes and evolves.

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, and in particular those Directors that resigned during the year. Professional services over and above their role as company directors has been required due to the additional activities in another demanding financial year and I recognise that this has placed considerable pressure on them at various times during the year.

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, Mike Fermor and the WDC Finance Team, is gratefully acknowledged.

We look forward to the ongoing challenges of the coming year under COVID-19 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.

Declan Millin
Chair

Statement of comprehensive income

For the year ended 30 June 2021

		Group	
	Note	2021	2020
		\$000	\$000
Income			
Sales		9,486	8,798
Cost of sales		1,760	1,554
Gross profit from trading		7,726	7,244
Finance income	1	11	18
Other revenue	2	1,818	1,707
Gains/(Losses)	3	129	100
Total income		9,684	9,068
Expenses			
Personnel costs	4	2,695	2,590
Depreciation and amortisation expense		1,933	1,993
Finance costs	1	581	681
Other expenses	5	3,540	3,625
Total expenses		8,750	8,890
Surplus/(deficit) before tax		934	178
Income tax expense	6	60	31
Surplus/(deficit) after tax		874	147
Other comprehensive income and expenses			
Asset revaluation movement		-	-
Income tax re components of other comprehensive income		-	-
Total other comprehensive income		-	-
Total comprehensive income		874	147
Attributable to			
Whanganui District Council Holdings Limited		874	147
		874	147

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2021

	Note	Group 2021 \$000	Group 2020 \$000
Balance at 1 July		30,159	30,011
Comprehensive income			
Surplus/(deficit) after tax from continuing operations		874	147
Adjustment opening balances			
<i>Total comprehensive income</i>		874	147
Attributable to			
Whanganui District Council Holdings Limited		874	147
Transactions with shareholders			
Issue Share Capital		-	-
Dividends paid		-	-
Equity as at 30 June		31,033	30,159

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2021

		Group 2021 \$000	Group 2020 \$000
Assets	Note		
Current assets			
Cash and cash equivalents	7	2,902	2,112
Debtors and other receivables	8	3,922	4,426
Other financial assets		-	-
Taxation refund		3	5
Right of use asset		25	110
Non-Current assets held for sale		-	-
Inventories	10	450	457
		7,302	7,110
Non-current assets			
Other financial assets		-	-
Property, plant and equipment	11	47,994	48,009
Intangible assets	12	71	1
Investment property		-	-
Right of use asset		-	13
Goodwill on consolidation	12	9,353	9,353
		57,418	57,375
Total assets		64,720	64,485
Liabilities			
Current liabilities			
Creditors and other payables	13	1,160	1,555
Employee entitlements	14	314	306
Lease liabilities		2	111
Tax payable		(91)	(61)
Derivative financial instruments	9	-	39
Borrowings	15	11,743	8,135
Income in advance		2,851	3,165
		15,978	13,250
Non-current liabilities			
Borrowings	15	10,593	13,814
Derivative financial instruments	9	166	289
Lease liabilities		-	12
Deferred tax	6	6,951	6,961
		17,710	21,076
Total liabilities		33,688	34,326
Net assets		31,033	30,159
Equity			
Share capital	16	7,846	7,846
Retained earnings	16	14,846	13,970
Asset revaluation reserve	16	8,342	8,342
		31,033	30,159

For and on behalf of the Board

Carolyn Van Leuven
Chair

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2021

	Note	Group 2021 \$000	Group 2020 \$000
Cash flows from operating activities			
Receipts from customers		12,199	10,520
Interest received		11	18
Dividends received		-	-
Payments to suppliers and employees		(9,002)	(7,281)
GST (net)		18	(211)
Taxes paid		(98)	(309)
Subvention payment		-	-
Interest paid		(603)	(715)
Net cash from operating activities	17	2,524	2,022
Cash flows from investing activities			
Sale of fixed assets and investments		-	-
Purchase of intangibles		(70)	(1)
Purchase of fixed assets and investments		(1,969)	(10,299)
Net cash from investing activities		(2,040)	(10,300)
Cash flows from financing activities			
Proceeds from borrowings		415	9,660
Advances to subsidiaries		-	-
Repayment of loans		(111)	(111)
Purchase of shares		-	-
Dividends paid		-	-
Net cash from financing activities		305	9,550
Net (decrease)/increase in cash and cash equivalents		789	1,272
Cash and cash equivalents at the beginning of the year		2,112	841
Cash and cash equivalents at the end of the year		2,902	2,112

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 2021

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 fourth 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 Group 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 2021. The financial statements were authorised for issue by the Board of Directors on 14 December 2023.

BASIS OF PREPARATION

Statement of compliance

The group 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 group 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 Group's functional currency is New Zealand dollars.

Changes to Accounting Policies

There have been no changes to accounting policies.

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.

Revenue

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

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Financial Instruments

Financial instruments that potentially subject the Group to credit risk are cash and bank balances, debtors and investments. The Group is exposed to interest rate risk through the issuance of debt instruments. The Group 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 group meets its requirements.

Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through profit or loss 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 The Group 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 Group has transferred substantially all the risks and rewards of ownership.

The Group has loans and receivables assets.

Loans and receivables 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. The Group loans and receivables comprise cash and cash equivalents, debtors and other receivables, and term deposits.

Financial Liabilities

Financial liabilities (creditors, income in advance, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

Impairment of Financial Assets

At each Statement of Financial Position date the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of comprehensive income.

Impairment of a loan or a receivable is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor 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 assets 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 instrument's carrying amount.

Derivative financial instruments and hedge accounting

WDCHL uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. The Group uses derivatives only for economic hedging purposes and not as speculative investments. All derivatives meet the hedge accounting criteria, so they are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a cash flow hedge or a fair value hedge under NZ IFRS 9.

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 Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset date, payment date, maturity and notional amount. The Group may hedge less than 100% of any particular borrowing, therefore the hedged item may be identified as a proportion of an outstanding borrowing up to the notional amount of the swap.

Hedge ineffectiveness for interest rate swaps may occur due to the credit value/debit value adjustment on the interest rate swap which is not matched by the loan, and differences in critical terms between the interest rate swap and loan.

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).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of comprehensive income together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of comprehensive income within Other income or Other expenses.

Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate movements are also recognised in the Statement of comprehensive income.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as Other income or Other expenses in Profit or loss. Amounts accumulated in Other comprehensive income are recycled in the Statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, asset purchase) or a non-financial liability, the gains and losses previously deferred in Other comprehensive income are transferred from Other comprehensive income and included in the measurement of the initial cost or carrying amount of the asset or liability

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Other comprehensive income at that time remains in Other comprehensive income and is recognised when the forecast transaction is ultimately recognised in Profit or loss or is capitalised on the recognition of a non-financial asset. When a forecast transaction is no longer expected to occur, the

Cumulative gain or loss that was reported in Other comprehensive income is immediately transferred to Profit or loss.

Derivatives that do not qualify for hedge accounting

In the event that a derivative does not qualify for hedge accounting or for which hedge accounting has not been adopted, changes in its fair value would be recognised immediately in Profit or loss as Other income or Other expenses.

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 Group 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 Group 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

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

The Group 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.

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

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

Additions

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

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

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

Disposals

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

Depreciation

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

Asset type	Depreciation rate
Distribution Network Mains and Services	1-15% SL
Distribution Network Condition Renewals	2% SL
Gas Measurement Systems and Distribution Network Customer Stations	1-10% SL
Buildings	2% SL
Vehicles, Plant, Office Equipment and Furniture and Fittings	4-40 % SL
Computer Hardware	20-33% SL
Leasehold Improvements	2-20% SL
Aircraft	8-10% SL
Simulators	10% 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 11.

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 2021

1. Finance income and finance costs

Finance income

Interest income
- from term loans
Dividend income

Total finance income

Finance costs

Interest paid on fixed loans

Total finance costs

	Group 2021 \$000	2020 \$000
Interest income	11	18
- from term loans	-	-
Dividend income	-	-
Total finance income	11	18
Interest paid on fixed loans	581	681
Total finance costs	581	681

2. Other revenue

Management fees
User charges
Grants
Rental income
Sundry revenue

Total other revenue

	Group 2021 \$000	2020 \$000
Management fees	252	252
User charges	302	71
Grants	17	400
Rental income	811	189
Sundry revenue	436	795
Total other revenue	1,818	1,707

3. Gains/(Losses)

Non-financial instruments

Property plant and equipment gains/(losses) on disposal
Investment property gains/(losses)

Total non-financial instruments gains/(losses)

Financial instruments

Gains/(losses) from derivative financial instruments

Total financial instruments gains/(losses)

Total gains/(losses)

	Group 2021 \$000	2020 \$000
Property plant and equipment gains/(losses) on disposal	(33)	-
Investment property gains/(losses)	-	-
Total non-financial instruments gains/(losses)	(33)	-
Gains/(losses) from derivative financial instruments	162	100
Total financial instruments gains/(losses)	162	100
Total gains/(losses)	129	100

4. Personnel costs

Salaries and wages
Employer contributions to superannuation
Other personnel costs
Increase/(decrease) in employee entitlements/liabilities
Less capitalised labour

Total personnel costs

	Group 2021 \$000	2020 \$000
Salaries and wages	2,727	2,649
Employer contributions to superannuation	39	33
Other personnel costs	54	73
Increase/(decrease) in employee entitlements/liabilities	(4)	-
Less capitalised labour	(121)	(165)
Total personnel costs	2,695	2,590

Notes to the Financial Statements

For the year ended 30 June 2021

5. Other expenses

	Group 2021 \$000	2020 \$000
Fees to principal auditor:		
- audit fees for financial statement audit	94	86
- audit related fees for disclosure regulations	50	46
Directors' fees	295	250
Rental and operating lease costs	112	288
Other operating costs	2,987	2,956
Total operational expenses	3,540	3,625

6. Tax

	Group 2021 \$000	2020 \$000
Components of tax expense		
Current tax expense	612	547
Deferred tax on temporary differences	(10)	39
Prior period adjustment	(543)	(556)
Income tax expense	60	31

Relationship between tax expense and accounting profit

Surplus/(deficit) before tax	934	178
Tax @ 28%	262	50
Non-taxable income	(31)	-
Non-deductible expenditure	58	362
Deferred tax not recognised	-	-
Deferred tax adjustment	320	(314)
Prior period adjustment	(549)	(67)

Total tax expense	60	31
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Deferred tax liability

	Property plant and equipment \$000	Provisions and derivatives \$000	Tax losses \$000	Total \$000
Balance 30 June 2019	7,555	(154)	(483)	6,918
Charged to profit and loss	(99)	47	95	43
Charged to equity	-	-	-	-
Balance 30 June 2020	7,456	(107)	(387)	6,961
Charged to profit and loss	(218)	80	127	(11)
Charged to equity	-	-	-	-
Balance 30 June 2021	7,238	(27)	(260)	6,951

The prior year tax liability for GasNet limited was offset by losses of \$944,781 from WDCHL and losses from WDC of \$883,120

Notes to the Financial Statements

For the year ended 30 June 2021

7. Cash and cash equivalents

	Group 2021 \$000	2020 \$000
Cash at bank and on hand	2,902	2,112
Term deposits with maturities less than 3 months	-	-
Total cash and cash equivalents	2,902	2,112

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

	Group 2021 \$000	2020 \$000
Trade debtors	3,752	4,286
Amounts due from related parties (Note 21)	-	-
Other receivables	160	88
Less provision for impairment	-	(8)
GST	11	60
Total debtors and other receivables	3,922	4,426

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 2021 and 2020 are detailed below:

	2021		
Group	Gross \$000	Impairment \$000	Net \$000
Not past due	3,436	-	3,436
Past due 1-60 days	117	-	117
Past due 61-120 days	-	-	-
Past due > 120 days	369	-	369
Total	3,922	-	3,922

	2020		
Group	Gross \$000	Impairment \$000	Net \$000
Not past due	3,697	(8)	3,689
Past due 1-60 days	147	-	147
Past due 61-120 days	65	-	65
Past due > 120 days	525	-	525
Total	4,434	(8)	4,426

Notes to the Financial Statements

For the year ended 30 June 2021

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 future periods, and review of specific debtors as detailed below.

	Group 2021 \$000	2020 \$000
Collective impairment	-	-
Individual impairment	-	8
Total provision for impairment	-	8

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

	Group 2021 \$000	2020 \$000
At 1 July	8	18
Additional provisions made during the year	-	-
Provisions reversed during the year	(8)	(10)
Receivables written-off during period	-	-
At 30 June	-	8

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

9. Derivative financial instruments

	Group 2021 \$000	2020 \$000
Current asset portion		
Interest rate swaps - fair value hedges	-	-
Non-current asset portion		
Interest rate swaps - fair value hedges	-	-
Total derivative financial instrument assets	-	-
Current liability portion		
Interest rate swaps - fair value hedges	-	(39)
	(39)	(39)
Non-current liability portion		
Interest rate swaps - fair value hedges	(166)	(289)
	(166)	(289)
Total derivative financial instrument liabilities	(166)	(328)

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 the Group were \$2,000,000 (2020 \$4,000,000). At 30 June 2021, the fixed interest rates of cash flow hedge interest rate swaps is 5.55% (2020 5.55% to 6.11%).

10. Inventories

	Group 2021 \$000	2020 \$000
<i>Held for distribution/Commercial inventories</i>		
Network	450	457
Other	-	-
Group Total inventories	450	457

Inventories are pledged as security for liabilities \$449,848 (2020 \$456,565). There has been no write-down of commercial inventories to net realisable value (2020 nil).

Notes to the Financial Statements

For the year ended 30 June 2021

11. 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 2021

11. Property, plant and equipment

Group 2021	Cost/ valuation 1 July 2020 \$000	Accumulated depreciation and impairment charges 1 July 2020 \$000	Carrying amount 1 July 2020 \$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 2021 \$000	Accumulated depreciation and impairment charges 30 June 2021 \$000	Carrying amount 30 June 2021 \$000
<i>Infrastructural assets:</i>												
Distribution network	32,036	(1,819)	30,217	870	-	-	(886)	-	-	32,906	(2,705)	30,201
Work in Progress	17	-	17	592	-	-	-	-	-	58	-	58
Gas measurement system	4,488	(537)	3,951	274	-	-	(270)	-	-	4,762	(807)	3,956
	-	-	-	-	-	-	-	-	-	-	-	-
<i>Operational assets:</i>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	9,673	(30)	9,643	201	-	-	(181)	-	-	9,873	(211)	9,662
Buildings Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	166	(148)	18	8	-	-	(2)	-	-	174	(149)	24
Vehicles	509	(285)	224	61	-	-	(67)	-	-	570	(352)	218
Office equipment	52	(28)	24	1	-	-	(12)	-	-	53	(39)	13
Furniture and fittings	356	(78)	279	1	-	-	(35)	-	-	359	(114)	245
Plant and equipment	511	(338)	173	(2)	-	-	(65)	-	-	506	(400)	105
Computer hardware & software	137	(107)	29	30	-	-	(9)	-	-	150	(100)	49
Aircraft	3,120	(483)	2,638	476	(13)	-	(322)	1	-	3,584	(803)	2,780
Simulators	839	(83)	756	4	(76)	-	(84)	42	-	767	(124)	643
Total	51,944	(3,936)	48,009	2,517	(89)	-	(1,933)	43	-	53,802	(5,806)	47,994

Notes to the Financial Statements

For the year ended 30 June 2021

11. Property, plant and equipment cont...

Group 2020	Cost/ valuation 1 July 2019 \$000	Accumulated depreciation and impairment charges 1 July 2019 \$000	Carrying amount 1 July 2019 \$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 2020 \$000	Accumulated depreciation and impairment charges 30 June 2020 \$000	Carrying amount 30 June 2020 \$000
<i>Infrastructural assets:</i>												
Distribution network	31,518	(944)	30,574	518	0	-	(875)	-	-	32,036	(1,819)	30,216
Work in Progress	15	-	15	2	0	-	-	-	-	17	-	17
Gas measurement system	4,346	(278)	4,068	142	-	-	(259)	-	-	4,488	(537)	3,951
	-	-	-	-	-	-	-	-	-	-	-	-
<i>Operational assets:</i>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	2,454	(30)	2,424	7,219	-	-	-	-	-	9,673	(30)	9,643
Buildings Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	164	(146)	18	2	-	-	(2)	-	-	166	(148)	19
Vehicles	359	(253)	106	150	(30)	-	(33)	30	-	509	(285)	224
Office equipment	38	(19)	19	14	0	-	(9)	-	-	52	(28)	25
Furniture and fittings	275	(48)	227	81	0	-	(29)	-	-	356	(78)	279
Plant and equipment	458	(287)	171	53	0	-	(51)	-	-	511	(338)	173
Computer hardware & software	109	(103)	5	28	0	-	(4)	-	-	137	(107)	28
Aircraft	1,793	(223)	1,569	1,328	0	-	(259)	-	-	3,120	(483)	2,638
Simulators	80	(31)	49	759	0	-	(52)	-	-	839	(83)	756
Total	41,648	(2,362)	39,284	10,298	(30)	-	(1,575)	30	-	51,944	(3,936)	48,009

Notes to the Financial Statements

For the year ended 30 June 2021

12. Intangible assets

Movements for each class of intangible asset are as follows:

Balance at 1 July 2020

Cost

Accumulated amortisation and impairment

Opening carrying amount

Year ended 30 June 2021

Additions

Disposals /Transfers (cost)

Accumulated Depreciation eliminated on Disposal

Amortisation and impairment charge

Closing carrying amount

Balance at 30 June 2021

Cost

Accumulated amortisation and impairment

Closing carrying amount

Balance at 1 July 2019

Cost

Accumulated amortisation and impairment

Opening carrying amount

Year ended 30 June 2020

Additions

Disposals (cost)

Accumulated Depreciation eliminated on Disposal

Amortisation & impairment charge

Closing carrying amount

Balance at 30 June 2020

Cost

Accumulated amortisation and impairment

Closing carrying amount

	Group software & licences \$000	Group goodwill \$000	Group total \$000
Balance at 1 July 2020			
Cost	464	11,446	11,910
Accumulated amortisation and impairment	(463)	(2,093)	(2,556)
Opening carrying amount	1	9,353	9,354
Year ended 30 June 2021			
Additions	70	-	70
Disposals /Transfers (cost)	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-
Amortisation and impairment charge	-	-	-
Closing carrying amount	71	9,353	9,425
Balance at 30 June 2021			
Cost	534	11,446	11,980
Accumulated amortisation and impairment	(463)	(2,093)	(2,556)
Closing carrying amount	71	9,353	9,424
Balance at 1 July 2019			
Cost	463	11,446	11,910
Accumulated amortisation and impairment	(440)	(1,697)	(2,137)
Opening carrying amount	23	9,749	9,772
Year ended 30 June 2020			
Additions	1	-	1
Disposals (cost)	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-
Amortisation & impairment charge	(22)	(396)	(418)
Closing carrying amount	1	9,353	9,354
Balance at 30 June 2020			
Cost	464	11,446	11,910
Accumulated amortisation and impairment	(463)	(2,093)	(2,556)
Closing carrying amount	1	9,353	9,354

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

Goodwill

Group Goodwill arises on consolidation of GasNet Limited in the books of WDCHL.

13. Creditors and other payables

Trade payables and other accrued expenses

Amounts due to related parties (note 21)

GST

Accrued interest expenses

	Group 2021 \$000	2020 \$000
Trade payables and other accrued expenses	163	1,143
Amounts due to related parties (note 21)	374	195
GST	482	108
Accrued interest expenses	141	109
	1,160	1,555

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 2021

14. Employee entitlements

	Group 2021 \$000	2020 \$000
Current portion		
Accrued pay	100	109
Annual leave	213	197
Sick leave	-	-
Retirement and long service	-	-
<i>Total current portion</i>	314	306
Total employee entitlements	314	306

15. Borrowings

	Group 2021 \$000	2020 \$000
Current portion		
Short term borrowing	11,743	8,135
Finance leases	-	-
<i>Total current portion</i>	11,743	8,135
Non-current portion		
Secured loans - Port	-	-
Secured loans - Other	10,593	13,814
Finance leases	-	-
<i>Total non-current portion</i>	10,593	13,814
Total borrowings	22,336	21,949

Secured loans

WDCHL's secured debt of \$10,593,086 (2020 \$13,813,603) is issued at a mix of fixed and floating rates of interest. Secured loans are with ANZ. Short term borrowing (current portion) is with Whanganui District Council. floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin of 1.05% to 1.95% For "credit risk." Loans are accessed to have low credit risk. As such, the Group has assessed that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by NZ IFRS 9, and recognised 12 months expected credit losses for the asset. No material provision has been made.

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	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Total Secured loans Group	10,529	13,814	12,400	12,400

Notes to the Financial Statements

For the year ended 30 June 2021

16. Equity

	Group 2021 \$000	2020 \$000
Share capital		
Balance at 1 July	7,846	7,846
Ordinary shares - issued & paid up	-	-
Balance at 30 June	7,846	7,846
Retained earnings		
Balance at 1 July	13,971	13,823
Surplus/(deficit) for the year	874	147
Share repurchase	-	-
Dividends paid	-	-
Balance at 30 June	14,846	13,970
Asset revaluation reserve		
Balance at 1 July	8,342	8,342
Revaluation gains/(losses)	-	-
Deferred tax on revaluation	-	-
Balance at 30 June	8,342	8,342
Distribution network		
Gas measurement system	7,740	7,740
Balance at 30 June	602	602
	8,342	8,342

Share capital

Authorised shares 31,945,700 (2020: 31,945,700)

As at 30 June 2021 WDCHL has 7,845,800 shares issued and fully paid up (2020: 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.

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

	Group 2021 \$000	2020 \$000
Surplus/(deficit) after tax	874	147
Add/(less) non-cash items:		
Depreciation and amortisation expense	1,933	1,993
(Gains)/losses from derivative financial instruments	(162)	(100)
Other non-cash items - including Impairment & revaluations	93	181
	2,738	2,221
Add/(less) items classified as investing or financing activities:		
Increase/(decrease) in deferred tax	(65)	43
	(65)	43
Add/(less) movements in working capital items:		
Income in advance	(290)	118
Accounts receivable	226	11
Inventories	(7)	(160)
Accounts payable	(130)	282
Income tax payable	27	(478)
Employee entitlements	25	(14)
	(150)	(242)
Net cash inflow/(outflow) from operating activities	2,524	2,022

Notes to the Financial Statements

For the year ended 30 June 2021

18. Commitments

Capital commitments

The group has no capital commitments (2020 \$0).

Operating leases as a lessor

	Group 2021 \$000	2020 \$000
Not later than one year	348	434
Later than one year and not later than five years	433	561
Greater than five years	308	300

19. Contingencies

Diamond Aircraft – Purchase Agreements between Whanganui District Council Holdings Limited (WDCHL) (as buyer) and Diamond Aircraft Industries Inc ("Diamond") (as seller)

1. WDCHL has entered into purchase agreements between Diamond and Holdings as buyer in relation to the sale and purchase of Diamond aircraft and equipment.

Aircraft	Quantity	Purchase Agreement Price USD per unit	Total USD
Diamond DA40NG "VFR"	15	\$491,567	\$7,373,504
Diamond DA40NG "IFR"	4	\$535,556	\$2,142,226
Diamond DA42NG V1	3	\$853,219	\$2,559,658
TOTAL			\$12,075,387

2. At a current (15 November 2021) USD/ NZD cross rate of 0.7, the value of this contract is NZD \$17,141,338

3. Negotiations between Diamond and NZICPA have been ongoing as regards the ability of Diamond to fulfil the contract, the timing of the plane's delivery, and need for the full contract order.

4. The Directors wish to record this contingent liability.

5. In July 2022 Diamond Aircraft and WDCHL agreed to cancel the purchase agreements for all aircraft. No longer carries any contingent liability.

20. 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

	Group 2021 \$000	2020 \$000
Whanganui District Council		
Loans to WDCHL	8,743	8,135
Port Grant provided to WDCHL	-	-
Provincial growth fund grant provided to WDCHL	-	-
Services provided by WDC	-	451
Interest paid to WDC	-	-
Management fees paid to WDCHL	252	252
Accounts payable to WDC	373	195
Accounts receivable from WDC	-	-
Subvention payment to Whanganui District Council	-	-
Services provided to WDC	-	-
Consultancy fees paid to directors during the year were		
Matthew Doyle (including Doyle & Associates Limited)	48	131
Peter Hazledine	-	-
Annette Main	-	23
David Rae (including David Rae Associates Limited)	-	11

Notes to the Financial Statements

For the year ended 30 June 2021

	Group 2021 \$000	2020 \$000
Key management personnel compensation		
Salaries and short term employee benefits	577	736
Other long-term benefits	-	-
	577	736

Key management personnel for 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.

21. Remuneration

	Group 2021 \$000	2020 \$000
<i>Directors</i>		
Directors received the following remuneration:		
Matthew Doyle	46	51
Declan Millin (WDCHL Group)	25	-
Annette Main	34	52
Carolyn van Leuven (WDCHL Group)	23	-
David Rae	56	44
Simon Karipa	34	42
Charles Anderson	25	12
Peter Hazledine	53	48
	295	250

22. Events after the balance date

GasNet: Climate Change Commission advice - Government advised that it would not be confirming its position in regard to its Climate Change Response (Zero Carbon) Amendment Act responsibilities till May 2022. At this stage it is too early to know what impact this will have on the company's business activities.

NZICPA: In October 2022 NZICPA agreed to purchase its maintenance provider Aero Care Limited. In November 2023 NZICPA entered into discussions to purchase Air Hawkes Bay another flight school based in Hawkes Bay. The events after balance date related to Covid-19 are disclosed in Note 25. (2020: In October 2022 NZICPA agreed to purchase its maintenance provider Aero Care Limited.)

23. Financial instruments

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

	Group 2021 \$000	2020 \$000
Financial assets		
Fair value through profit or loss - held for trading		
Derivative financial instrument liability	166	328
Loans and receivables		
Cash and cash equivalents	2,902	2,112
Debtors and other receivables	3,922	4,426
Other financial assets:		
- term deposits	-	-
- loans to related parties	-	-
Financial liabilities at amortised cost		
Creditors and other payables	1,160	1,555
Borrowings:		
- secured loans	22,336	21,949
Fair value through comprehensive income		
- net change in fair value of CFDs	-	-

Notes to the Financial Statements

For the year ended 30 June 2021

24. Statutory reporting timeframe

Section 67(5) of the Local Government Act 2002 requires that the company adopt its annual report which includes audited financial statements and statement of service performance, and deliver this to its shareholder within three months after the end of the financial year. The Company was not able to comply with this requirement for the year ending 30 June 2021 and the annual report was not adopted until December 2023.

25. COVID-19

NZICPA

The rapid escalation of COVID-19 within New Zealand and the subsequent closure of the borders has had a significant impact on the plans for both WDCHL and NZICPA and to a much lesser extent GasNet.

On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its COVID-19 alert level to level 4 and a nationwide lockdown commenced. As part of this lock down all tertiary institutions were closed. Subsequently all institutions reopened on the 18th of May 2020.

All of New Zealand went into lockdown on the 17 August 2021. Ground training was delivered online during this period but flight training did not resume until New Zealand moved to Alert level 2 on 7 September 2021.

NZICPA qualified for both the original wage subsidy provided by the government in response to Covid-19 and the further wage subsidy. NZICPA received \$127,446 during 2022 (2021: \$208,058).

At this time the full financial impact of the COVID-19 pandemic is not able to be determined. Although NZICPA has reopened and is operating normal. However, economic uncertainties have arisen which are likely to negatively affect the operations and services of the school. We describe below the possible effects on the school that we have identified, resulting from the COVID-19 pandemic:

A reduction in revenue from student fees & charges from International students and/or Board of Directors operated boarding facilities, including the potential loss of current and prospective students due to the disruption and/or pressures created by COVID-19 and the border being closed. The border reopened to international students on the 12 April 2022, with 43 International students arriving in April 2022.

Because of the matters noted above, the school has experienced a significant reduction in expected revenue and has not been able to reduce its cost as quickly. As a result the school is expecting to deplete cash reserves over the coming months. Extensive budgeting and cash flow work has been done to ensure the flight school remains viable. NZICPA has the continued support of Whanganui District Council which has provided the school with a letter of support to validate this.

In response to the reduction in revenue and cash being depleted Whanganui District Council Holdings Limited established a loan agreement dated the 8 September 2021, which sets out the repayment terms for the current inter-company debt payable to WDCHL of approximately \$470,000 and the following credit facilities:

1. \$200,000 credit facility from WDCHL, plus
2. \$150,000 Whanganui District Council (WDC) funding support with a further \$150,000 if agreed by WDC.

Under the terms of the loan, no demand for payment will be made prior to 30 June 2022 without the agreement of both WDCHL and NZICPA, and repayment is not required if it would place NZICPA at serious financial risk or be likely to result in it incurring a material loss or entering insolvency.

The company received a \$300,000 advance/loan from WDCHL in September 2021 and drew down the \$200,000 credit facility in Dec 2021 and Feb 2022. Balance at year end \$500,000.

On the 10 November 2022 a further loan agreement was signed under which NZICPA received an advance for Bridging and Discretionary Facility from WDCHL of \$350,000 during the 2023 year, which was received in two payments. One of \$200,000 on 28 September 2022 and another of \$150,000 on 1 December 2022. The new loan agreement included interest on the advances paid monthly at a rate of 5.41 % per annum. Repayment of the advances due at the end of each calendar quarter from March 2023 repaying such amount of the Principal Sums as NZICPA can reasonably afford given the then current and projected cashflow requirements and undertakes in good faith to repay the Principal Sums as quickly as can reasonably be achieved given the operational and solvency requirements of the Company. No demand for payment has been made prior to 24 November 2023.

On the 29 August 2023 a further loan agreement was signed under which NZICPA will receive an advance for working capital for the NZICPA IndiGo Business Case from WDCHL of \$1,300,000 during the 2024 year. On 16 November 2023 \$350,000 was advanced. The new loan agreement included interest on the advances paid monthly at a rate of 10 % per annum. Repayment of the advances due by 30 June 2028 the Lender expects that the Borrower will repay Principal Sums as cashflow permits. No demand for payment has been made prior to 24 November 2023.

GASNET

Government's requirement to move to Alert Level 4 at 11:59pm Tuesday 17 August 2021, Alert Level 3 at 11:59pm 31 August 2021 and to Alert Level 2 at 11:59pm on 7 September 2021. As previously experienced at these Alert Levels 4 and 3, operationally our business is limited to emergency response activities with office closed (limited remote access by key personnel maintained). Financially to date there has been little impact.

26. Going Concern

The financial statements have been prepared on the going concern basis as per Paragraph 25 of NZ IAS 1. NZICPA has the continued support of Whanganui District Council with a letter of support to validate this. Refer to Covid-19 note above. Based on ongoing support from Whanganui District Council we have assessed WDCHL group as going concern.

Statement of service performance

For the year ended 30 June 2021

Whanganui District Council Holdings Limited

Objectives

1.1 The Board intends to operate as a successful business in relation to its investments.

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 commercial entities by:

1.2.1 Optimising financial and physical resources through close scrutiny of potential areas of inefficiency, waste or under-utilization 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 Providing prudent management of investments and timely, constructive professional advice regarding its position as shareholder in WGL, NZ International Commercial Pilot Academy Ltd, and any other subsidiary companies or undertakings.

In 2020, as a result of the WDC-initiated review two new WDCHL Directors were appointed and three WDCHL Directors resigned to provide independence from the WDCHL Board and its subsidiaries Boards. WDCHL's directors were actively involved in managing the impact of COVID-19 on WDCHL and its subsidiaries, in particular NZICPA, to ensure they continued to remain commercially viable.

1.2.3 Meeting the expectations of WDC for quality, cost effective strategic planning advice on investments and trading undertakings.

The Board meets six-weekly to discuss its portfolio performance and the Chair has reported to Council at almost every meeting to update the Council on matters. Additional meetings were held with the Mayor and Chief Executive of Council to inform and discuss the impact of Covid-19 on WDCHL and NZICPA.

1.2.4 Reviewing and advising on the strategies and plans of any subsidiary company, business unit or asset when requested by WDC.

Board meetings are held on a six-weekly basis and include reports from the subsidiaries with in person reporting as required. Additional meetings were held with the Mayor and Chief Executive of Council when required to discuss the company strategies and plans. Board papers include reports on each area under WDCHL's governance portfolio.

1.2.5 Being 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

Objective	Performance metric	Outcome
Advanced Aviation Hub		
1. Provided investment is agreed from all parties proceed with plans to construct a National Simulator Centre in Whanganui.	<ul style="list-style-type: none"> National Simulator timelines are in place and work is underway. 	<ul style="list-style-type: none"> Project continues to be on hold due to impact of Covid-19.
	<ul style="list-style-type: none"> Funding secured. 	<ul style="list-style-type: none"> Decision deferred
NZICPA		
3. Make NZICPA profitable	<ul style="list-style-type: none"> Positive net profit for the year. 	<ul style="list-style-type: none"> Not positive profit for year plans are in place to make NZICPA profitable.
4. Ensure NZICPA has appropriate, fit-for-purpose accommodation and infrastructure.	<ul style="list-style-type: none"> All students housed in suitable accommodation. Collegiate Motor Inn repurposed for NZICPA. Aircraft, hangar , and other infrastructure meets the needs of students and our contracts with airlines. 	<ul style="list-style-type: none"> All requirements were met during the year.
5. Ensure NZICPA has the resources and business systems required to be a sustainable, stand-alone business.		<ul style="list-style-type: none"> NZICPA operated independently from its parent WDCHL.
GasNet		

6. Operate GasNet efficiently and in compliance with regulations.	<ul style="list-style-type: none"> • EBITDA greater than \$3.0 m • No material breaches of regulations. • Customer performance metrics (SAIDI, CAIDI etc) achieved. 	<ul style="list-style-type: none"> • All requirements were met during the year.
Financial		
7. Review the group's capital structure to ensure it is prudent and suitable for the strategic path of the subsidiaries.	<ul style="list-style-type: none"> • Review completed and changes (if any) agreed with Council. 	<ul style="list-style-type: none"> • The review is now planned to be undertaken in the 2021/22 financial year in accordance with the WDCHL Statement of Intent for that year.
8. Generate an adequate financial return for the group as a whole.	<ul style="list-style-type: none"> • Council requests a return of 14% on its paid up share investment in WDCHL. 	<ul style="list-style-type: none"> • No dividend was paid due to the impact of Covid-19 on NZICPA and the need to ensure that sufficient cash is retained to meet working capital needs.
Other		
9. Director induction: of new director(s) .	<ul style="list-style-type: none"> • New board information compiled on basis of revised structure. 	<ul style="list-style-type: none"> • New Directors appointed and successfully inducted.
10. Board performance: review of board performance at year end.	<ul style="list-style-type: none"> • Review completed and any identified issues are acted upon. 	<ul style="list-style-type: none"> • The review is now planned to be undertaken in the 2021/22 financial year in accordance with the WDCHL Statement of Intent for that year.
11. Provide commercial and Strategic advice to WDC on an 'as required basis'.	<ul style="list-style-type: none"> • Advice provided as requested. 	<ul style="list-style-type: none"> • WDCHL Directors and management met with WDC personnel on numerous occasions during the year to provide WDC with any commercial advice on reported.

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

	Budget	Actual	Actual
	2020/21	2020/21	2019/20
Dividend paid	\$1,000,000	\$0	\$0

No dividend was paid due to the impact of Covid-19 on NZICPA and the need to ensure that sufficient cash is retained to meet working capital needs.

- 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 and New Zealand International Commercial Pilot Academy Limited (NZICPA), with all Directors of WDCHL, including the Chair, sitting on the GasNet and NZICPA Boards. The Board has facilitated the continuance of the Council's investment with variances to performance targets being monitored.

Statement of Service Performance of GasNet Limited

For the year ended 30 June 2021

Statement of Intent

The Company is an energy company formed in accordance with and registered under the Companies Act 1993. The Company is incorporated in New Zealand and is domiciled in Whanganui, New Zealand. The Company's parent entity is Whanganui District Council Holdings Limited.

The Statement of Intent (SoI) sets out the overall intentions and objectives of the Company for the year beginning 1 July 2020, subject to any changes relating to striking an operating budget for the year beginning 1 July 2020.

Objectives

The Directors intend that the Company operate as a successful energy business and be at least as profitable and efficient as other gas distribution network companies and gas measurement system (GMS) 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 with interests in natural gas distribution networks and GMS.

Performance Targets

The performance of the Company will be judged against the following measures aligned to that provided in its SoI or as changed in striking the operating budget:

Key Performance Indicators (KPIs)

	SoI Target 2020/21	Budget Target 2020/21	Actual 2020/21	Actual 2019/20
<u>Health and Safety</u>				
Incidents Reported (No)	5	5	11	7
Lost Time Incidents	0	0	0	0
Lost Time Rate	0	0	0	0
<u>Financial Performance</u>				
EBITDA (before Subvention payment)	\$3.4m	\$3.05m	\$3.18m	\$2.81m
Capex Depreciation Ratio	1	1	1.03	0.59
Rate of Return (minimum)	6.43%	6.43%	8.89%	7.71%
Accumulated profits & capital reserves distributed to shareholders	\$1.8m	\$0.96m	\$1.30m	\$1.46m
Subvention payments made to WDCHL Group members	\$0.0m	\$0.20m	\$0.11m	\$0.34m
<u>Network Throughput</u>				
Total Throughput	1.3 PJ	1.27 PJ	1.26 PJ	1.31 PJ
UFG (Unaccounted For Gas)	1.0%	1.0%	1.85%	1.32%
<u>Operational Financial Performance</u>				
Direct & Indirect Costs per consumer	\$217	\$249	\$243	\$273
Direct & Indirect Costs per GJ conveyed	\$1.71	\$1.98	\$1.95	\$2.11
<u>Network Reliability</u>				
<i>Planned Interruptions (Class B)</i>				
Consumer Hours Lost	370	370	212.75	395.92

	SoI Target 2020/21	Budget Target 2020/21	Actual 2020/21	Actual 2019/20
<i>Unplanned Interruptions (Class C)</i>				
Consumer Hours Lost	80	80	124.27	132.35
<i>Unplanned Third Party Interruptions (Class I)</i>				
Consumer Hours Lost	40	40	61.9	46,879.6
<i>Total Interruptions</i>				
Consumer Hours Lost	490	490	398.92	47,407.87
Third Party Interference Damage (No)	25	25	29	25
Public Reported Gas Escapes (No)	50	50	38	39
Metering				
Total on-network (000)	Not supplied	10.15	10.11	10.06
Total off-network (000)	Not supplied	0.23	0.23	0.23

Assessment

The performance of the Company will be judged against the above measures aligned to that provided in its SoI or as changed in striking the operating budget. 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. Significant variations are discussed below.

The company advanced \$1,200,000 to the parent Whanganui District Council Holdings Limited as a planned dividend and an unplanned \$100,000 as an extraordinary dividend. GasNet Limited made an unplanned subvention payment to New Zealand International Commercial Pilot Academy of \$109,814. Combined target of Dividend and subvention payments was \$1.2M. Year to year budget differences related to increased company financial commitments.

Health and Safety performance is being maintained although 'Incidents Reported' increased from 7 in the previous year to 11 this year 6 above the 2020-21 target of 5. The Incidents Reported includes 3 injury incidents and 8 near miss incidents. The increase in near misses reported is likely attributable to a Health and Safety refreshers course attended by all in the company in February 2021 which focussed on near-miss reporting.

With its focus on ensuring the health and safety of its employees, contractors and the public and the safe transportation and delivery of gas to consumers, the low number of incidents reflects the company's commitment to health and safety. There were three minor injuries that included a bruised shin when an office worker walked into an item stored incorrectly, an injury to a field worker's finger tips when they were caught between a bar and the ground which resulted in bruising; and an insect sting to a field worker.

A review audit of the Public Safety Management System (PSMS) was partially completed remotely by Telarc Limited in April 2020 during COVID19 Alert level 4. This year's PSMS review audit was conducted on 6th and 7th April at GasNet Limited's office in Whanganui by Telarc Limited.

Throughput of gas in the networks was higher than the previous year despite being slightly lower than target, and connection numbers reduced from 81 last year to 50 new consumer connections made during the year.

The Company has now been operating in a pandemic mode for the entire 2020-21 financial year, mostly at Alert Level 1 with several temporary escalations to Alert Level 2. It is GasNet's view that commercially, COVID-19 has had an insignificant impact on revenue while having increasing impacts relating to both cost of products and reduced availability of same. To potentially offset the availability impact, the Company has been buying in greater quanta for extended delivery timeframes which has introduced a further issue of storage space requirements. The Company does not see any quick fixes to inventory challenges given the global delivery chains are now undersized with airfreighting being so limited and access to raw materials being frustrated by country specific COVID-19 restrictions as well as equivalent supply chains constraints.

The Company views the emergent challenges from recent Climate Change Commission final advice (end of May 2021) to the Government as being potentially commercially significant. The Company is also mindful that during the 2021-22 financial year the NZ Commerce Commission will be resetting regulatory settings for our network business for the next four/five pricing years (1 October 2022 to 30 September 2026 or 2027).

Planned network interruptions (Class B) were similar in number to the previous 3 years. It is expected that this number will increase as main renewal work increases over time.

There was a reduction in the number of unplanned network interruptions (Class C) this year but the duration of interruptions were similar to previous years.

The number of unplanned supply interruptions caused by third party damage (Class I) were similar to previous years except the immediate past year when a pressurised water main ruptured damaging a low pressure gas main and flooding approximately 9 kilometres of the low pressure gas network with water. The water effectively blocking the gas main and services interrupted supplies to approximately 283 consumer supplies for up to 2 weeks.

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

Statement of Service Performance

New Zealand International Commercial Pilot Academy Limited For the year ended 30 June 2021

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 Hato Hohepa and Collegiate Estate sites.

Description and Quantification of the Entity's Outputs

The Company provides professional flight training programs for New Zealand and International students. New Zealand students typically complete training a Private Pilot License, 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 programs and or qualifications:

- Private Pilot License (Airplane).
- Commercial Pilot License (Airplane).
- New Zealand Multi-engine Instrument Rating.
- Aerobatics Rating.
- New Zealand Diploma in Aviation (Airplane) General Aviation Strand (level 5)
- New Zealand Diploma in Aviation (Airplane) Flight Instruction Strand (level 6)
- New Zealand Diploma in Aviation (Airplane) 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 whom 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.

- 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 the Part 141 approved training organisation (ATO). The detailed and comprehensive audit was completed with no findings.
- The Company certificate for Part 135 Air Operator expired 25th June 2021 and it was placed on hold during Covid and then mid/late 2022 tried to get it operational which was unsuccessful and 2023 decided to cease the certification.
- 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 20/21. Increasing flying hours from 9,265 to 13,976 and revenue from \$3,278,879 to \$3,945,613

None the less, financial performance was severely affected by Covid-19 and an inability to bring new international students into the country.

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

Consolidated Shareholder Funds

The target ratio of consolidated shareholders' funds (including parent company advances) to total assets for the period covered by the 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 (2.1%) (2020:(0.38%)).

	2021	2021 SOI	2020
Consolidated Shareholder Funds	(\$85,392)	-	(\$18,366)
Total Assets	\$3,883,800	-	\$4,577,977
Ratio Shareholder Funds Divided by Total Assets	(2.2%)	< 50%	(0.40%)

TEC Performance Metrics

NZICPA has to reach certain financial performance targets set by TEC these are:

	2021	2021 SOI	2020
Net tangible assets (i.e. shareholders' equity /funds less intangible assets; e.g. goodwill)	(2%) Fail	Net tangible assets should be larger than 2% of total revenue and larger than 60% of total tangible assets (less prepaid fees) revenue and larger than 60% of total tangible assets (less prepaid fees)	(2%) Fail
Liquid Assets (cash plus bank deposits plus readily liquefiable investments less bank overdrafts divided by annual cash outflow from operations)	12% Pass	8% to 12%	31.2% Pass
Working capital ratio (current assets divided by current liabilities)	97.5% Fail	100%+	95.3% Fail
Profitability (net surplus after tax to total income)	(3.3%) Fail	For commercial entities returns of 3% plus are desirable. For charitable trusts and other not for profit organisations the aim should be to maintain operating surpluses over the medium to longer term to ensure trust capital is not being eroded.	(12.7%) Fail
Net cash flow from operations (cash inflow from operations divided by cash outflow from operations)	95.2% Fail	111% plus	129.3% Pass
Debt divided by debt plus net tangible assets	(291.8%) Fail	Total borrowings less than 50% of net tangible assets; i.e. a debt ratio of less than 33%.	140.2% Fail

As a TEO NZICPA has obligations to give its students the best opportunity to succeed this is measured by monitoring pass rates and percentage of former students either in further study or employed:

	2021	Budget 2021	2020
CPL flight test pass rate %	83%	85%	92%
CPL theory test pass rate %	81%	75%	75%
Domestic Students in study or employed %	50%	70%	7%

The low outcome for domestic students in study or employment reflects the impact of Covid-19 on the airline industry and the demand for pilots.

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.

	2021	2021 SOI	2020
Student Numbers	102	160	85
Flying Hours	13,976	22,000	9,265
Margin per Flying Hour	\$115	\$40	\$64

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 2021

The Auditor-General is the auditor of Whanganui District Council Holdings Limited (the Company) and its controlled entities (collectively referred to as "the Group"). The Auditor-General has appointed me, Chris Webby, 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 33, that comprise the statement of financial position as at 30 June 2021, 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 other explanatory information; and
- the performance information, as reported in the statement of service performance, of the Group on pages 34 to 37.

In our opinion:

- the financial statements of the Group on pages 9 to 33:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 34 to 37 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 2021.

Our audit was completed on 14 December 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. 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.

Emphasis of matters

Without modifying our opinion, we draw your attention to the following disclosures.

Covid-19 and financial viability

Note 25 in the financial statements, and pages 33 to 37 outline the significant impact Covid-19 has had on the Group's performance and future financial viability. Note 26 outlines that the financial statements have been prepared on a going concern basis and provides reasons why the Board of Directors consider this appropriate, including the reliance on financial support from their shareholder).

Breach of statutory reporting deadline

Note 24 on page 33 outlines that the Board of Directors did not meet the requirement of section 67(5) of the Local Government Act 2002, which requires the Group's annual report to be completed before the close of 30 November 2021.

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.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

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 3 to 8 and 38 to 43, but does not include the financial statements and the performance information, and our auditor's report thereon.

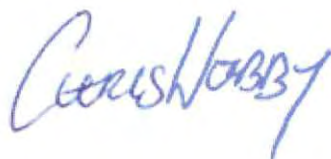
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1), issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.



Chris Webby
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand