Whanganui District Council Holdings Limited

Annual Report

For the year ended 30 June 2022

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Registered office	Whanganui District Council 101 Guyton Street Whanganui Telephone (06) 349 0001 Fax (06) 349 0000 email wdc@whanganui.govt.nz
Postal address	PO Box 637 Whanganui
Directors	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 2022	Whanganui District Council 100%

Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2022. 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 tax paid loss of $113,000 for the year ended 30 June 2022. Equity at the end of the year was $31,221,000.

Dividends

The group did not pay dividends for the year ended 30 June 2022 (2021: nil).

Directors and their remuneration

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

Declan Millin	$40,000
Simon Karipa	$30,000
Carolyn van Leuvan	$30,000

Directors' and officers' insurance

Pursuant to Sections 162(3) and 162(4) of the Companies Act 1993 and the Groups constitution, Whanganui District Council Holdings Limited has affected liability insurance cover for Directors and Officers up to $5 million. The Group 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 audit fees for the current year will be $99,829.

Donations

There were no donations for the year (2021 $nil).

Employee Remuneration

One employee of WDCHL received total remuneration benefits of more than $100,000 per annum (2021 nil).

Directors' Interests

The Directors have made the following declarations of interest:

Name:	Company/Interest:
Declan Millin	Tin Town Consulting Limited
	PM Family Trust
	Nga Tangata Tiaki o Whanganui
	Morikaunui Incorporation
	Te Rūnanga o Tūpoho
	Whanganui District Council Holdings 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
	Maara Moana Limited & Maara Moana GP 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
	Te Pūkenga
	Whakauae Research Services Limited
Carolyn van Leuven	AMP Capital Investors Limited
	AMP NZ Carparks Limited
	Hospital Car Parking Limited
	Securefuture Wiri Limited
	Securefuture Wiri Holdings Limited
	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	Lucy Elwood
Chair	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 2022.

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 2022 concluded with a sense of optimism as the country manages its way out of the impact of COVID-19 and the borders reopen to international students. Nevertheless the year was not without its challenges and it may take some time before WDCHL and its subsidiary NZICPA have recovered and returned to a new "business as usual". The Government's position on climate change became clearer in the later part of the year and it remains to be seen what impact that will have on GasNet and subsequently WDCHL.

The agreement between NZICPA and India's largest passenger airline IndiGo continues to be well supported by both as evidenced by the number of students that had arrived by the end of the year after the borders had reopened and those that had visa applications pending. The first tranche of IndiGo students who arrived in February 2020 completed their training during the year with the last student departing in early 2022, later than had been expected due to the two COVID-19 lockdowns and extended periods of inclement weather.

The agreement signed in March 2020 to purchase additional aircraft from Canadian based Diamond Aircraft Industries was terminated by mutual agreement leaving WDCHL in a better position to revaluate NZICPA's future requirements as it rebuilds its business.

The Advanced Aviation Hub was halted due to Covid but remains a valid option as we build back, however, a revised business case will need to be undertaken given the multi-year hiatus.

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. The reopening of the NZ borders in April 2022 has reduced uncertainty faced and provides the opportunity for NZICPA to rebuild its business although this may take time.

The impact of COVID-19 on GasNet has been minimal in a revenue sense although it has experienced increased sick leave, health monitoring and product costs along with increased levels of its stockholdings in response to shortage of supply and longer lead times with some products used by the company.

The Government decision to delay release of its first Emissions Reduction Plan to May 2022 has meant that GasNet is still working its way through the implications for its business and the natural gas market within which it operates. It is expected that the impact will become clearer as GasNet works its way through the plan in the later part of 2022.

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 (appointed 12 March 2018)
Carolyn van Leuven (appointed 1 October 2020)

The Board met on eight occasions during the year not including the numerous ad hoc meetings held between scheduled Board meetings.

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 Gerard Glanville (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 finally been given the opportunity to rebuild its business following the reopening of the NZ borders and the return of international students to the academy.

Although the year has again had some notable challenges, the Directors and officers of WDCHL and its subsidiaries NZICPA and GasNet remain committed and determined to 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. 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 David Langford 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 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 2022

	Note	Group 2022 $000	2021 $000
Income			
Sales		8,406	9,486
Cost of sales		1,783	1,760
Gross profit from trading		6,622	7,726
Finance income	1	14	11
Other revenue	2	485	1,818
Gains/(Losses)	3	139	129
Total income		7,259	9,684
Expenses			
Personnel costs	4	2,485	2,695
Depreciation and amortisation expense		1,990	1,933
Finance costs	1	614	581
Other expenses	5	2,910	3,540
Total expenses		7,999	8,750
Surplus/(deficit) before tax		**(740)**	**934**
Income tax expense	6	(627)	60
Surplus/(deficit) after tax		**(113)**	**874**
Other comprehensive income and expenses			
Asset revaluation movement		-	-
Income tax re components of other comprehensive income		-	-
Total other comprehensive income		-	-
Total comprehensive income		**(113)**	**874**
Attributable to			
Whanganui District Council Holdings Limited		(113)	874
		(113)	**874**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended 30 June 2022

	Note	Group 2022 $000	Group 2021 $000
Balance at 1 July		31,033	30,159
Comprehensive income			
Surplus/(deficit) after tax from continuing operations		(113)	874
Adjustment opening balances			
Total comprehensive income		(113)	874
Attributable to			
Whanganui District Council Holdings Limited		(113)	874
Transactions with shareholders			
Issue Share Capital		300	-
Dividends paid		-	-
Equity as at 30 June		**31,221**	**31,033**

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2022

	Note	Group 2022 $000	Group 2021 $000
Assets			
Current assets			
Cash and cash equivalents	7	2,502	2,902
Debtors and other receivables	8	2,927	3,922
Other financial assets		-	-
Taxation refund		1	3
Right of use asset		20	25
Non-Current assets held for sale		-	-
Inventories	10	594	450
		6,043	7,302
Non-current assets			
Other financial assets		-	-
Property, plant and equipment	11	48,856	47,994
Intangible assets	12	191	71
Investment property		-	-
Right of use asset		-	-
Goodwill on consolidation	12	9,353	9,353
		58,400	57,418
Total assets		**64,443**	**64,720**
Liabilities			
Current liabilities			
Creditors and other payables	13	1,772	1,160
Employee entitlements	14	338	314
Lease liabilities		5	2
Tax payable		374	(91)
Derivative financial instruments	9	26	-
Borrowings	15	12,383	11,743
Income in advance		1,668	2,851
		16,567	15,978
Non-current liabilities			
Borrowings	15	10,279	10,593
Derivative financial instruments	9	-	166
Lease liabilities		15	-
Deferred tax	6	6,360	6,951
		16,655	17,710
Total liabilities		**33,222**	**33,688**
Net assets		**31,221**	**31,033**
Equity			
Share capital	16	8,146	7,846
Retained earnings	16	14,733	14,846
Asset revaluation reserve	16	8,342	8,342
		31,221	**31,033**

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 2022

	Note	Group 2022 $000	Group 2021 $000
Cash flows from operating activities			
Receipts from customers		9,250	12,199
Interest received		14	11
Dividends received		-	-
Payments to suppliers and employees		(7,106)	(9,002)
GST (net)		(47)	18
Taxes paid		497	(98)
Subvention payment			
Interest paid		(597)	(603)
Net cash from operating activities	**17**	**2,011**	**2,524**
Cash flows from investing activities			
Sale of fixed assets and investments		-	-
Purchase of intangibles		(129)	(70)
Purchase of fixed assets and investments		(2,817)	(1,969)
Net cash from investing activities		**(2,947)**	**(2,040)**
Cash flows from financing activities			
Proceeds from borrowings		437	415
Advances to subsidiaries		-	-
Repayment of loans		(202)	(111)
Purchase of shares		300	-
Dividends paid		-	-
Net cash from financing activities		**536**	**305**
Net (decrease)/increase in cash and cash equivalents		**(400)**	**789**
Cash and cash equivalents at the beginning of the year		2,902	2,112
Cash and cash equivalents at the end of the year		**2,502**	**2,902**

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 2022

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 group are for the year ended 30 June 2022. The financial statements were authorised for issue by the Board of Directors on 18 January 2024.

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 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).

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.

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 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 amortised cost assets.

Amortised cost assets 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 amortised cost assets 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%

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

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

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows. In assessing value in use the estimated cashflows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks to the specific asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of equity are:
- retained earnings
- property, plant and equipment reserves
- fair value through other comprehensive reserves

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

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

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

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

- physical inspection of assets
- asset replacement programmes
- review of second hand market prices for similar assets

- analysis of prior assets sales; and
- completing a revaluation of the infrastructure assets every third year

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

The carry amounts of property, plant and equipment are disclosed in note 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 2022

1. Finance income and finance costs

	Group 2022 $000	2021 $000
Finance income		
Interest income		
- from term loans	14	11
Dividend income	-	-
Total finance income	**14**	**11**
Finance costs		
Interest paid on fixed loans	614	581
Total finance costs	**614**	**581**

2. Other revenue

	Group 2022 $000	2021 $000
Management fees	-	252
User charges	110	302
Grants	39	17
Rental income	97	811
Sundry revenue	238	436
Total other revenue	**485**	**1,818**

3. Gains/(Losses)

	Group 2022 $000	2021 $000
Non-financial instruments		
Property plant and equipment gains/(losses) on disposal	-	(33)
Investment property gains/(losses)		-
Total non-financial instruments gains/(losses)		**(33)**
Financial instruments		
Gains/(losses) from derivative financial instruments	139	162
Total financial instruments gains/(losses)	**139**	**162**
Total gains/(losses)	**139**	**129**

4. Personnel costs

	Group 2022 $000	2021 $000
Salaries and wages	2,594	2,727
Employer contributions to superannuation	44	39
Other personnel costs	77	54
Increase/(decrease) in employee entitlements/liabilities	(8)	(4)
Less capitalised labour	(222)	(121)
Total personnel costs	**2,485**	**2,695**

Notes to the Financial Statements

For the year ended 30 June 2022

5. Other expenses

	Group 2022 $000	2021 $000
Fees to principal auditor:		
- audit fees for financial statement audit	100	94
- audit related fees for disclosure regulations	61	50
Directors' fees	300	295
Rental and operating lease costs	220	112
Other operating costs	2,229	2,987
Total operational expenses	2,910	3,540

6. Tax

	Group 2022 $000	2021 $000
Components of tax expense		
Current tax expense	585	612
Deferred tax on temporary differences	(600)	(10)
Prior period adjustment	(612)	(543)
Income tax expense	**(627)**	**60**
Relationship between tax expense and accounting profit		
Surplus/(deficit) before tax	(740)	934
Tax @ 28%	(207)	262
Non-taxable income	(23)	(31)
Non-deductible expenditure	-	58
Deferred tax adjustment	223	320
Prior period adjustment	(621)	(549)
Total tax expense	(627)	60

Deferred tax liability	Property plant and equipment $000	Provisions and derivatives $000	Tax losses $000	Total $000
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
Charged to profit and loss	(55)	(21)	(515)	(591)
Charged to equity	-	-	-	-
Balance 30 June 2022	7,182	(48)	(775)	6,360

The prior year tax liability for GasNet limited was offset by losses of $859,000 from WDCHL and losses from WDC of $1,173,000.

Notes to the Financial Statements

For the year ended 30 June 2022

7. Cash and cash equivalents

	Group 2022 $000	2021 $000
Cash at bank and on hand	2,502	2,902
Term deposits with maturities less than 3 months	-	-
Total cash and cash equivalents	**2,502**	**2,902**

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 2022 $000	2021 $000
Trade debtors	2,521	3,752
Amounts due from related parties (Note 21)	-	-
Other receivables	187	160
Less provision for impairment	-	-
GST	219	11
Total debtors and other receivables	**2,927**	**3,922**

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 2022 and 2021 are detailed below:

2022	Gross $000	Impairment $000	Net $000
Group			
Not past due	2,545	-	2,545
Past due 1-60 days	-	-	-
Past due 61-120 days	-	-	-
Past due > 120 days	382	-	382
Total	**2,927**	**-**	**2,927**

2021	Gross $000	Impairment $000	Net $000
Group			
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**

Notes to the Financial Statements

For the year ended 30 June 2022

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

	Group 2022 $000	2021 $000
Collective impairment	-	-
Individual impairment	-	-
Total provision for impairment	-	-

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

	Group 2022 $000	2021 $000
At 1 July	-	8
Additional provisions made during the year	-	-
Provisions reversed during the year	-	(8)
Receivables written-off during period	-	-
At 30 June	-	-

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

9. Derivative financial instruments

	Group 2022 $000	2021 $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	(26)	-
	(26)	-
Non-current liability portion		
Interest rate swaps - fair value hedges	-	(166)
	-	(166)
Total derivative financial instrument liabilities	(26)	(166)

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 (2021 $2,000,000). At 30 June 2022, the fixed interest rates of cash flow hedge interest rate swaps is 5.55% (2021 5.55%).

10. Inventories

	Group 2022 $000	2021 $000
Held for distribution/Commercial inventories		
Network	594	450
Other	-	-
Group Total inventories	594	450

Inventories are pledged as security for liabilities $593,558 (2021 $450,000). There has been no write-down of commercial inventories to net realisable value (2021 nil).

Notes to the Financial Statements

For the year ended 30 June 2022

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 2022

11. Property, plant and equipment

Group 2022	Cost/ valuation 1 July 2021 $000	Accumulated depreciation and impairment charges 1 July 2021 $000	Carrying amount 1 July 2021 $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 2022 $000	Accumulated depreciation and impairment charges 30 June 2022 $000	Carrying amount 30 June 2022 $000
Infrastructural assets:												
Distribution network	32,906	(2,705)	30,201	829	-	-	(900)	-	-	33,735	(3,605)	30,130
Work in Progress	58	-	58	590	(589)	-	-	-	-	59	-	59
Gas measurement system	4,762	(807)	3,956	220	-	-	(280)	-	-	4,983	(1,087)	3,896
	-	-	-	-	-	-	-	-	-	-	-	-
Operational assets:						-			-			
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	9,873	(211)	9,662	347	-	-	(185)	-	-	10,220	(396)	9,824
Buildings Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	174	(149)	24	49	-	-	(3)	-	-	223	(152)	71
Vehicles	570	(352)	218	64	(31)	-	(68)	-	-	603	(420)	183
Office equipment	53	(39)	13	-	-	-	(6)	-	-	53	(46)	7
Furniture and fittings	359	(114)	245	1	-	-	(36)	-	-	361	(150)	211
Plant and equipment	506	(400)	105	64	-	-	(46)	-	-	570	(446)	124
Computer hardware & software	150	(100)	49	13	-	-	(18)	-	-	162	(118)	44
Aircraft	3,584	(803)	2,780	1,282	-	-	(364)	-	-	4,866	(1,167)	3,699
Simulators	767	(124)	643	2	-	-	(76)	-	-	769	(201)	569
Total	**53,802**	**(5,806)**	**47,994**	**3,461**	**(620)**	**-**	**(1,981)**		**-**	**56,643**	**(7,787)**	**48,856**

Notes to the Financial Statements

For the year ended 30 June 2022

11. Property, plant and equipment cont...

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
Infrastructural assets:												
Distribution network	32,036	(1,819)	30,217	870	0	-	(886)	-	-	32,906	(2,705)	30,201
Work in Progress	17	-	17	592	0	-	-	-	-	58	-	58
Gas measurement system	4,488	(537)	3,951	274	-	-	(270)	-	-	4,762	(807)	3,956
	-	-	-	-	-	-		-	-	-	-	-
Operational assets:					-	-			-			
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	0	-	(12)	-	-	53	(39)	13
Furniture and fittings	356	(78)	279	1	0	-	(35)	-	-	359	(114)	245
Plant and equipment	511	(338)	173	(2)	0	-	(65)	-	-	506	(400)	105
Computer hardware & software	137	(107)	29	30	0	-	(9)	-	-	150	(100)	49
Aircraft	3,120	(483)	2,638	476	-13347.86	-	(322)	1	-	3,584	(803)	2,780
Simulators	839	(83)	756	4	-76000	-	(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 2022

12. Intangible assets	**Group software & licences $000**	**Group goodwill $000**	**Group total $000**
Movements for each class of intangible asset are as follows:			
Balance at 1 July 2021			
Cost	534	11,446	11,980
Accumulated amortisation and impairment	(463)	(2,093)	(2,556)
Opening carrying amount	71	9,353	9,424
Year ended 30 June 2022			
Additions	130	-	130
Disposals /Transfers (cost)	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-
Amortisation and impairment charge	(9)	-	(9)
Closing carrying amount	191	9,353	9,544
Balance at 30 June 2022			
Cost	664	11,446	12,110
Accumulated amortisation and impairment	(473)	(2,093)	(2,566)
Closing carrying amount	**191**	**9,353**	**9,544**
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 (cost)	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-
Amortisation & 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**

There are no restrictions over the title of Group's 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	**Group 2022 $000**	**2021 $000**
Trade payables and other accrued expenses	1,616	163
Amounts due to related parties (note 20)	-	374
GST	63	482
Accrued interest expenses	92	141
	1,772	**1,160**

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 2022

14. Employee entitlements

	Group 2022 $000	2021 $000
Current portion		
Accrued pay	144	100
Annual leave	194	213
Sick leave	-	-
Retirement and long service	-	-
Total current portion	338	314
Total employee entitlements	**338**	**314**

15. Borrowings

	Group 2022 $000	2021 $000
Current portion		
Short term borrowing	12,383	11,743
Finance leases	-	-
Total current portion	12,383	11,743
Non-current portion		
Secured loans - Port	-	-
Secured loans - Other	10,279	10,593
Finance leases	-	-
Total non-current portion	10,279	10,593
Total borrowings	**22,662**	**22,336**

Secured loans

Short term borrowing (current portion) is with Whanganui District Council.

WDCHL's secured debt of $10,279,176 (2021 $10,593,086) is issued at a mix of fixed and floating rates of interest. Secured loans are with ANZ. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin of 1.05% to 1.95% "credit risk."

Security

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

Fair values of non-current borrowings	Carrying amount 2022 $000	Carrying amount 2021 $000	Fair value 2022 $000	Fair value 2021 $000
Total Secured loans Group	10,279	10,593	10,279	10,593

Notes to the Financial Statements

For the year ended 30 June 2022

16. Equity

	Group 2022 $000	2021 $000
Share capital		
Balance at 1 July	7,846	7,846
Ordinary shares - issued & paid up	300	-
Balance at 30 June	8,146	7,846
Retained earnings		
Balance at 1 July	14,846	13,971
Surplus/(deficit) for the year	(113)	874
Share repurchase	-	-
Dividends paid	-	-
Balance at 30 June	14,733	14,846
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	7,740	7,740
Gas measurement system	602	602
Balance at 30 June	8,342	8,342

Share capital
Authorised shares 32,995,700 (2021: 31,945,700)
As at 30 June 2022 WDCHL has 8,145,700 shares issued and fully paid up (2021: 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 2022 $000	2021 $000
Surplus/(deficit) after tax	**(113)**	**874**
Add/(less) non-cash items:		
Depreciation and amortisation expense	1,990	1,933
(Gains)/losses from derivative financial instruments	(139)	(162)
Other non-cash items - including Impairment & revaluations	91	93
	1,829	2,738
Add/(less) items classified as investing or financing activities:		
Increase/(decrease) in deferred tax	(592)	(65)
	(592)	(65)
Add/(less) movements in working capital items:		
Income in advance	(1,183)	(290)
Accounts receivable	995	226
Inventories	(144)	(7)
Accounts payable	615	(130)
Income tax payable	465	27
Employee entitlements	24	25
	773	(150)
Net cash inflow/(outflow) from operating activities	**2,010**	**2,524**

Notes to the Financial Statements

For the year ended 30 June 2022

18. Commitments

Capital commitments
The group has no capital commitments (2021 $0).

Operating leases as a lessor

	Group 2022 $000	2021 $000
Not later than one year	292	348
Later than one year and not later than five years	377	433
Greater than five years	308	308

19. Contingencies

There were no contingent liabilities as at balance date.

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 2022 $000	2021 $000
Whanganui District Council		
Loans to WDCHL	9,362	8,743
Port Grant provided to WDCHL	-	-
Provincial growth fund grant provided to WDCHL	-	-
Services provided by WDC	-	-
Interest paid to WDC	-	-
Management fees paid to WDCHL	-	252
Accounts payable to WDC	-	373
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)	53	48
Phil Bedford ex CEO of NZICPA	8	-
Annette Main	-	-
David Rae (including David Rae Associates Limited)	38	-

Notes to the Financial Statements

For the year ended 30 June 2022

	Group 2022 $000	2021 $000
Key management personnel compensation		
Salaries and short term employee benefits	852	577
Other long-term benefits	-	-
	852	**577**

Key management personnel includes the Directors, General Manangers 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 2022 $000	2021 $000
Directors		
Directors received the following remuneration:		
Matthew Doyle	52	46
Declan Millin (WDCHL Group)	40	25
Annette Main	-	34
Carolyn van Leuven (WDCHL Group)	30	23
David Rae	63	56
Simon Karipa	30	34
Charles Anderson	30	25
Peter Hazledine	55	53
	300	**295**

22. Events after the balance date

NZICPA:
In October 2022 NZICPA agreed to purchase its maintenance provider Aero Care Limited.
The events after balance date related to Covid-19 are disclosed in Note 25
(2021: In October 2022 NZICPA agreed to purchase its maintenance provider Aero Care Limited).

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 responsibilites till May 2022. At this stage it is too early to know what impact this will have on the company's business activities. The events after balance date related to Covid-19 are disclosed in Note 25.

23. Financial instruments

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

	Group 2022 $000	2021 $000
Financial assets		
Fair value through profit or loss - held for trading		
Derivative financial instrument liability	26	166
Amortised cost		
Cash and cash equivalents	2,502	2,902
Debtors and other receivables	2,927	3,922
Financial liabilities at amortised cost		
Creditors and other payables	1,772	1,160
Borrowings:		
- secured loans	22,662	22,336
Fair value through comprehensive income		
- net change in fair value of CFDs	-	-

Notes to the Financial Statements

For the year ended 30 June 2022

24. Statutory reporting timeframe

Section 67(5) of the Local Government Act 2002 requires that the company adopt it annual report which includes audited financial statements and statement of service performance, and deliver this to its shareholder within five months after the end of the financial year. The Company was not able to comply with this requirement for the year ending 30 June 2022 and the annual report was not adopted until January 2024.

25. COVID-19

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. The reopening of the NZ borders in April 2022 has reduced uncertainty faced and provides the opportunity for NZICPA to rebuild its business although this may take time.

NZICPA:
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 training did not resume untill 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 normally. 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 costs 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 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 ad 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 December 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 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 2022

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–utilisation of capital.

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

1.2.2 Providing prudent management of investments and timely, constructive professional advice regarding its position as shareholder in GasNet, NZICPA, WPGPL and any other subsidiary companies or undertakings.

The three WDCHL Directors are independent from the 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. 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
Health & Safety		
1. Provide and maintain a safe environment for employees and persons using WDCHL facilities	• Zero-harm workplace and facilities. • Health & safety plans, training and contractual mechanisms are in place.	• No injury incidents reported during the year • Documentation of WDCHL's health & safety system is ongoing.
2. Ensure the ongoing preparedness of the WDCHL Group to manage the threat of COVID-19 on the business operations, consumers and the community.	• Plans are in place and businesses effectively manage the impact of COVID-19 on their operations.	• The WDCHL Group complied with the NZ Governments COVID-19 rules • GasNet and NZICPA provided regular updates to WDCHL through their Chairs Reports to the WDCHL Board.
National Simulator Centre		
3. Ensure that any renewed interest by the key stakeholders in the construction of a National Simulator Centre in Whanganui is considered.	• Respond appropriately to any interest shown.	• Following an enquiry from Kānoa (formerly MBIE Provincial Growth Fund) WDCHL has reached out to the Whanganui District Iwi to understand their appetite to re-engage with Kānoa
NZICPA		

4. Achieve an acceptable rate of return on WDCHL's investment in NZICPA, monitor NZICPA's performance through regular reporting and take appropriate action when adverse events occur.	• Regular reporting by NZICPA on:
	  • financial and operational KPI's that demonstrate achievement of objectives
	  • its provision and maintenance of a work environment that is safe for workers and all other persons using facilities, striving to achieve a zero-harm work place
	  • its commitment to the principle of equal employment opportunity in the recruitment,
		• NZICPA Chair reported to all WDCHL Board meetings all additional information requests during the year.
		• NZICPA is in business recovery following the re-opening of the NZ borders to international students in the last quarter of the 2021/22 financial year. This has resulted in increased reporting and contact between NZICPA and WDCHL as NZICPA

	employment, training and promotion of its employees • how it is meeting WDC's preference that ways to reduce the carbon footprint of its activities are explored.	manages its way to profitability.
5. Provide suitable accommodation and aviation assets for NZICPA that meets its requirements and WDCHL's investment expectations.	• Review WDCHL accommodation investment position explicitly setting out investment decisions given COVID-19 impacts and the longer-term WDCHL investment strategy for NZICPA. • Aircraft, hangar, and other infrastructure meets NZICPA's needs.	• All requirements were met during the year.
GasNet		
6. Achieve an acceptable rate of return on WDCHL's investment in GasNet, monitor GasNet's performance through regular reporting and take appropriate action when adverse events occur.	• Regular reporting by GasNet on: • financial and operational KPI's that demonstrate achievement of objectives • its provision and maintenance of a work environment that is safe for workers and all other persons using facilities, striving to achieve a zero-harm work place • its commitment to the principle of equal employment opportunity in the recruitment, employment, training and promotion of its employees • how it is meeting WDC's preference that ways to reduce the carbon footprint of its activities are explored.	• GasNet Chair reported to all WDCHL Board meetings and all additional information requests during the year. • Total dividend payments of $2,107,000 paid by GasNet to WDCHL during the year
7. Develop and implement a Strategic Plan to manage the impact of central and local government legislation and expected policy change in respect of climate change.	• Climate Change Strategic Plan completed, along with recommended short, medium and long-term actions and objectives.	• Following the Government decision to delay release of its first Emissions Reduction Plan to May 2022 this is now expected to be completed in 2022/23 in

		accordance with the WDCHL Statement of Intent for that year
Whanganui Port SPV's		
8. Facilitate the formation of the Whanganui Port SPV's at the direction and under the guidance of WDC .	• Formation and implementation of the Whanganui Port SPV's.	• This is now expected to be completed in 2022/23 in accordance with the WDCHL Statement of Intent for that year.
Financial		
9. Review the WDCHL Group's capital and governance structure to ensure it is prudent and suitable for the groups strategic path.	• Review completed and changes (if any) agreed with WDC.	• This is now expected to be completed in 2022/23 in accordance with the WDCHL Statement of Intent for that year.
10. Generate an adequate financial return forthe WDCHL Group as a whole.	• Manage financial challenges within available cashflow.	• No dividend payment paid in 2022.
Other		
11. Monitor the performance of the GasNet and NZICPA Boards of Directors.	• Regular reporting, in person, by the Chairs of both GasNet and NZICPA at scheduled meetings of the WDCHL Board. • Periodic reviews of the GasNet and NZICPA Boards and the appointed Directors by WDCHL.	• The Chairs of both Boards have provided reports for all scheduled WDCHL Board meetings. • A formal recruitment process of Directors for GasNet and NZICPA is planned for completion in 2022/23.
12. Review the remuneration of the Directors and Chair of WDCHL.	• Remuneration review completed.	• This is now expected to be completed in 2022/23 in accordance with the WDCHL Statement of Intent for that year.
13. Review the structure of the NZICPA Board and complete a review of the remuneration of the Directors and Chairs of GasNet & NZICPA.	• Review of structure completed. • Remuneration review completed.	• This is now expected to be completed in 2022/23 in accordance with the WDCHL Statement of Intent for that year.

14. Ensure maximum safe utilisation of WDCHL-owned assets and identify opportunities to safely and appropriately repurpose vacant or underutilised buildings.	• Acceptable commercial return on each investment property.	• Due to the impact of COVID-19 on NZICPA and the inability for international students to enter NZ due to ongoing border closures, WDCHL assets were not utilised to their maximum.
15. Undertake a comprehensive review of the WDCHL Constitution and consult with WDC as appropriate on any proposed changes.	• Review completed and proposed amendments recommended to WDC as shareholder.	• This is now expected to be completed in 2022/23 in accordance with the WDCHL Statement of Intent for that year.
16. Provide commercial and strategic advice to WDC on an 'as required basis'.	• Advice provided as requested.	• WDCHL Directors and management met with WDC personnel on numerous occasions during the year to provide WDC with any commercial advice on reported matters or to raise any additional matters they seek advice on.

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

	Budget 2021/22	**Actual 2021/22**	**Actual 2020/21**
Dividend paid	$470,760*	$0	$0

*Shareholders request for a return of 6% on its paid up share investment in WDCHL ie 6% of $7,846,000

Gas Net Limited Statement of Service Performance

For the year ended 30 June 2022

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 Corporate Intent (SoCI) sets out the overall intentions and objectives of the Company for the year beginning 1 July 2021.

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 SoCI or as changed in striking the operating budget:

Key Performance Indicators (KPIs)

	SoCI Target 2021/22	**Budget Target 2021/22**	**Actual 2021/22**	**Actual 2020/21**
Health and Safety				
Incidents Reported (No)	5	5	10	11
Lost Time Incidents	0	0	1	0
Lost Time Rate	0	0	3	0
Financial Performance				
EBITDA (before Subvention payment)	$2.8m	$2.69m	$3.09m	$3.18m
Rate of Return (minimum)	6.20%	7.73%	8.69%	8.89%
Accumulated profits & capital reserves distributed to shareholders	$1.0m	$1.00m	$2.107m	$1.30m
Network Throughput				
Total Throughput	1.3 PJ	1.23 PJ	1.22 PJ	1.26 PJ
Non-Tou Throughput (PJ)	0.45 PJ	0.39 PJ	0.38 PJ	0.43 PJ
UFG (Unaccounted For Gas)	1.0%	1.0%	1.54%	1.85%
Operational Financial Performance				
Direct & Indirect Costs per consumer	$297	$249	$237	$243
Direct & Indirect Costs per GJ conveyed	$2.39	$2.39	$2.06	$1.95
Network Reliability				
Planned Interruptions (Class B)				
Consumer Hours Lost	500	370	225	212.75

	SoCI Target	**Budget Target**	**Actual**	**Actual**

	2021/22	2021/22	2021/22	2020/21
Unplanned Interruptions (Class C)				
Consumer Hours Lost	80	80	38	124.27
Unplanned Third Party Interruptions (Class I)				
Consumer Hours Lost	90	40	75	61.9
Total Interruptions				
Consumer Hours Lost	670	490	338	398.92
Third Party Interference Damage (No)	30	25	21	29
Public Reported Gas Escapes (No)	50	50	29	38
Metering				
Total on-network (000)	10.3	10.10	10.08	10.11
Total off-network (000)	0.30	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 SoCI 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 $2,107,000 to the parent Whanganui District Council Holdings Limited as a planned dividend of $1,000,000 and an unplanned $1,107,000 as an extraordinary dividend. GasNet Limited made an unplanned subvention payment to New Zealand International Commercial Pilot Academy of $81,253. Combined target of Dividend and subvention payments was $1.0M. Year to year budget differences related to increased company financial commitments.

Health and safety performance KPI indicates that there were ten incidents reported against a target of five. Two incidents were near miss incidents related to network incidents and not to safety as such. Of the eight injury incidents two involved injury to the back, one during a lifting operation and one due to body twisting. Two involved injury to legs, one where legs were scratched by bushes and one stepping into an obscured hole in the ground. One injury involved a shoulder sprain that occurred while digging and another a hip strain during pushing a trailer. Two slip/trip incidents resulted from falls involving uneven surfaces (not from height). The one lost time injury occurred as a Technician alighted from the driver's seat of a company van at his home after an evening callout to work. The Technician twisted in his seat as he was getting out of the vehicle, the action aggravating an existing injury, resulting in three days off work.

A manual handling training course was run by the company for all field workers involving basic back care, Healthy movement patterns, basic anatomy considerations, integrating safety considerations into the workplace, practical session re digging, lifting and Gym activities. All field staff have now joined the company's Health and Fitness scheme to assist with injury prevention.

The Public Safety Management system three yearly revalidation audit was successfully completed in April this year by Telarc. Following the audit a declaration of compliance was sent to Energy Safety as required under the Gas Safety and Measurement Regulations.

Throughput of gas in the networks was slightly lower than the previous year and slightly lower than target, and connection numbers were essentially static with new consumer connections made during the year being offset by Housing Corporation implementation of Government directive for electricity only accommodation.

The Company operated in a pandemic mode for the entire 2021-22 financial year. 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 was stretched in labour resource a number of times over the year with COVID19 variants affecting mostly field workers in early 2022 and later in the year Influenza affecting office workers. An unprecedented level of sick and COVID leave was paid to employees during this year. Throughout the year the company enforced strict safety protocols through the agreed Pandemic Plan. Protocols included working from home, remote meetings, personal distancing, mask wearing, cleaning procedures and mandating initial vaccinations.

The Company views the emergent challenges from the recent Climate Change Commission final advice (end of May 2021) to the Government as being commercially significant. This follows because the emerging Government view appears to favour renewable electricity over natural gas. The natural gas industry has presented some ideas for the development of green gas options but these have met with muted response to date. Government support for any such transition is likely to be limited.
Government has published its initial decisions on the direction forward at the end of May 2022 (originally December 2021), thus it will be late in the fourth quarter of the forthcoming financial year before the Company will be in a position to comment further on potential commercial implications. The Company is also mindful that during the 2021-22 financial year the NZ Commerce Commission was resetting regulatory settings for our network business for the next four pricing years (1 October 2022 to 30 September 2026).

Network reliability performance showed an improvement with the number of third party damage incidents and public reported escapes down also. There has been a general reducing trend in the number of third party damage incidents. The number and duration of Interruptions is reflective of the type of work being undertaken during the year. Planned interruptions are typically related to new mains installation works of which there were few, reflective in the low hours. Unplanned interruptions are typically due to events requiring urgent works such as leak repair.

The Board has met on six 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 2022

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 programmes for New Zealand and International students. New Zealand students typically complete training to achieve a Commercial Pilot Licence, at either a New Zealand Diploma level 5 or 6, in an Aviation qualification. NZICPA delivers flight training and education under New Zealand rules and regulations for both education and aviation established by; Tertiary Education Commission (TEC) and New Zealand Qualifications Authority (NZQA) and Civil Aviation Authority (CAA).

NZICPA delivers the following programmes and or qualifications:

- Private Pilot Licence (Aeroplane).
- Commercial Pilot Licence (Aeroplane).
- New Zealand Single & Multi-engine Instrument Ratings
- Category C Flight Instructor Rating
- New Zealand Diploma in Aviation (Aeroplane) General Aviation Strand (level 5)
- New Zealand Diploma in Aviation (Aeroplane) Flight Instruction Strand (level 6)
- New Zealand Diploma in Aviation (Aeroplane) Airline Preparation Strand (level 6)

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

Performance Results

The Company is regularly assessed through 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
- The Company certificate for Part 135 Air Operator expired 25th June 2021 and it was placed on hold during Covid and then
- 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 performance was affected by Covid-19 during the FY 21/22. Decreasing flying hours from 13,976 to 6,364 and revenue from $ 3,945,613 to $2,619,197.

Financial performance was severely affected by Covid-19 and an inability to bring new international students into the country.

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 (43.7%) (2021:(2.2%)).

	2022	2022 SOI	2021
Consolidated Shareholder Funds	($966,273)	-	($85,932)
Total Assets	$2,210,359	-	$3,883,800
Ratio Shareholder Funds Divided by Total Assets	(43.7%)	< 50%	(2.2%)

TEC Performance Metrics

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

	2022	2022 SOI	2021
Net tangible assets (i.e. shareholders' equity /funds less intangible assets; e.g. goodwill)	(30.9%) 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)	6.3% Fail	8% to 12%	12% Pass
Working capital ratio (current assets divided by current liabilities)	82.5% Fail	100%+	97.5% Fail
Profitability (net surplus after tax to total income)	(28.1%) 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.	(3.3%) Fail
Net cash flow from operations (cash inflow from operations divided by cash outflow from operations)	77.4% Fail	111% plus	95.2% Fail
Debt divided by debt plus net tangible assets	(140.2%) Fail	Total borrowings less than 50% of net tangible assets; i.e. a debt ratio of less than 33%.	(291.8%) 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:

	2022	2022 SOI	2021
CPL flight test pass rate %	68%	85%	83%
CPL theory test pass rate %	71%	75%	81%
Domestic Students in study or employed %	50%	60%	50%

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.

	2022	2022 SOI	2021
Flying Hours	6,364	22,000	13,976

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 2022

The Auditor-General is the auditor of Whanganui District Council Holdings Limited Group (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 2022, 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 39.

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 2022; 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 39 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2022.

Our audit was completed on 18 January 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention the significant impact Covid-19 has had on the Group's performance and financial viability. 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 matter

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 39 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 2022.

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 40 to 45, 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.

ChrisWebby

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