WHANGANUI DISTRICT COUNCIL
Te Kaunihera a Rohe o Whanganui

REFERENCES

Council Meeting
Under Separate Cover
25 February 2020

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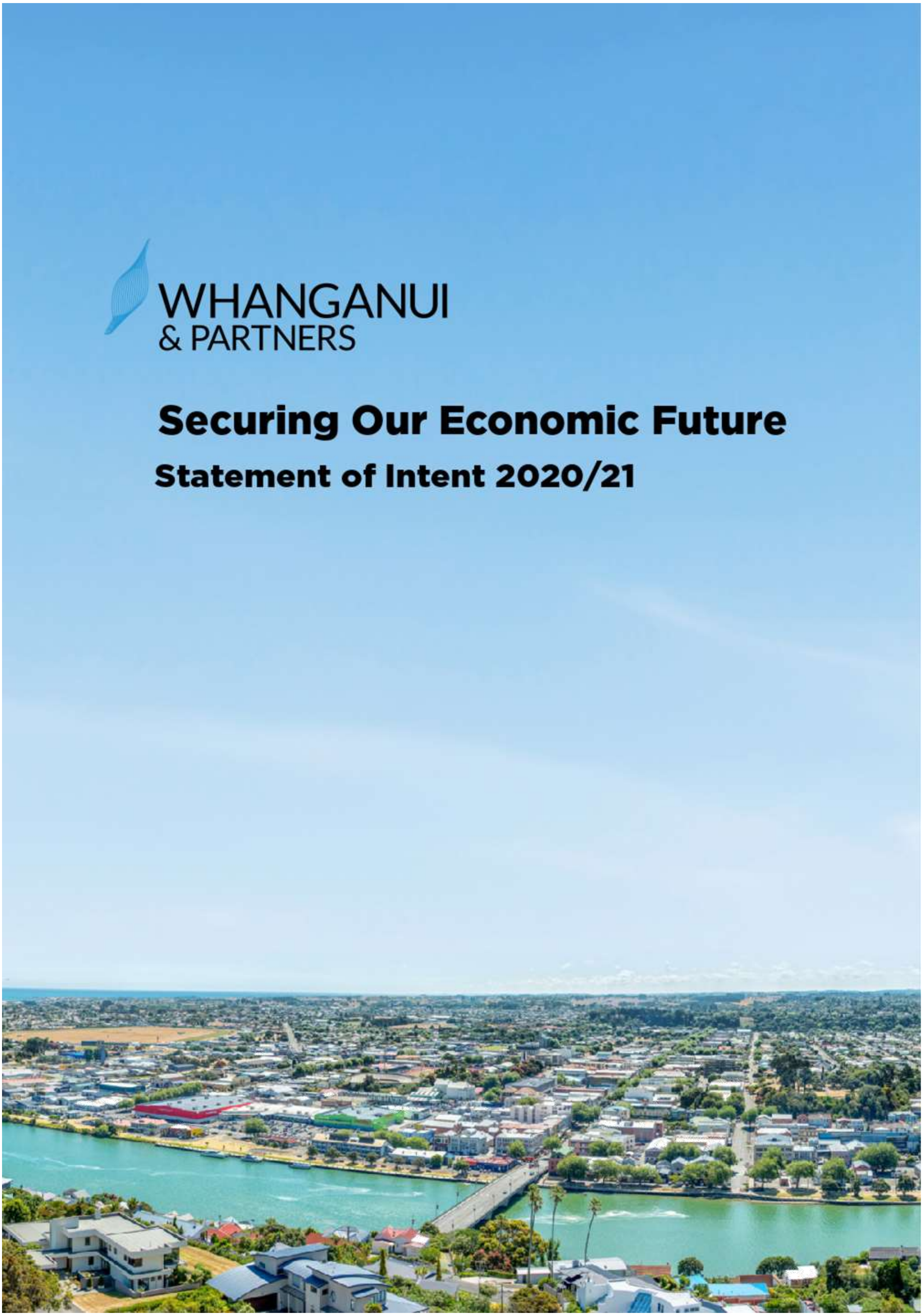


WHANGANUI
& PARTNERS

Securing Our Economic Future

Statement of Intent 2020/21

Contents

About Whanganui & Partners

Whanganui & Partners is the economic development agency and regional tourism organisation of Whanganui.

Whanganui & Partners also manages operation of the Whanganui i-SITE. Our mission is to facilitate growth and opportunity for our district's people and businesses. The delivery of this activity is directly related to the achievement of our Leading Edge Strategy and asserts our community's prioritisation of prosperity and growth. Without a sound economic base, our community will struggle to deliver other aspects of community wellbeing, including resilience to a changing climate.

Whanganui & Partners is a council-controlled organisation, with operations overseen by a board and management staff, while funding level and strategic direction is decided on by our Council. Our Statement of Intent is updated annually and sets out the strategic direction for the organisation, reflecting the expectations of our shareholder and stakeholders.

Foreword

PAHIA TURIA Board Chair

In 2014, Whanganui faced rising unemployment, a declining population and depreciating housing stock.

Also in that year, Whanganui & Partners was formed. The residents and Council of Whanganui were galvanised into finding a pathway to prosperity through economic development and decided on a model for a CCO economic development agency to ensure our proposition is defined, measurable and relevant.

Since 2014, Whanganui has turned the trends around and grown in both numbers and in reputation. Our population has increased, NEETs have dropped thanks to initiatives like 100% SWEET, and our retailers have seen a significant increase in consumer spending. Our economy's KPIs read well and, in many cases, are growing at rates above the national average.

To achieve this impressive turnaround, numerous organisations and individuals have worked together for a greater purpose and their work and vision should be acknowledged. However, much of our growth has ridden off the back of a strong national economy and some by-products of that growth, our housing shortage for example, were not pre-empted at a local level.

Over the past five years, the major predicament around our economic development has shifted from reversing decline to effectively managing the benefits of growth for the good of our community. We must ensure the Whanganui economy is resilient and developed in a self-sustaining manner.

There has also been a broader paradigm shift in what Key Performance Indicators (KPIs) are true measures of success for our global, national and local economies.

The Central Government's recently released economic strategy speaks to wellbeing, inclusiveness and sustainability. Eight key economic shifts include moving focus from volume to value, sustainable and affordable energy systems alongside land and resource use delivering greater value. Whanganui & Partners' objectives must closely consider these points.

The Whanganui economy has performed strongly in recent years, with growth in GDP, population, jobs, incomes and other key measures. During this period, the Whanganui & Partners team focussed on establishing and strengthening a new structure under the leadership of a new Chief Executive, Mark Ward. Through this process, we have built up our internal capability and enhanced our ability to deliver on Council's Economic Development Strategy. A platform is now set for both our economy and our economic development agency to pave the way for transformational projects, as well as supporting growth and vibrancy through the 'business as usual' functions we are known for by the community.

While this Statement of Intent informs our short-term and medium-term initiatives, our work requires a long-term, inter-generational view. In parallel, we must be able to operate in an agile manner, able to take advantage of economic opportunities as they arise. Doing this requires a fully collaborative approach with all our partners and Whanganui & Partners acknowledges the ongoing support of Whanganui District Council and all our partners across the region.

Introduction

MARK WARD Chief Executive

Whanganui & Partners engages at a strategic level with its partners in nine of the most impactful economic sectors of the Whanganui District: manufacturing, logistics, primary industries, retail, construction, education and training, real estate, tourism and the creative industries. Our method of operating is to partner with relevant business leaders, iwi and collectives, including the Chamber of Commerce and Te Manu Atatū, to achieve a mutually desired outcome. Our deepening relationships with local iwi and hapū is central to all of our strategies, guiding our approach, initiatives and activities.

We plan our economic development activities to yield successes in the short, medium and long-term. Our approach is either to lead an activity, provide the energy and resources to drive a leader to success, or more often than not, to be the facilitator needed to connect relevant people, ideas and resources. We invest the funding we receive from Council in strategies, projects and initiatives that achieve our desired outcomes cost-effectively. We also support Council's decision-making and the implementation of a number of their strategies including the following:

Whanganui & Partners plays an emerging leadership role in existing regional economic development strategies including Accelerate 25, Regional Business Partners Network, and Regional Spatial Mapping in relation to sustainable food production. In addition, we have commenced a pan-regional economic development initiative focused on joint planning and execution along the western seaboard from Wellington to New Plymouth focused on food, logistics, eco-tourism and wellbeing, training and the arts (coined the Golden Corridor Initiative).

Horowhenua District Council staff are working alongside Whanganui & Partners staff to identify the key areas for public and private investment, including the Ō2NL four-lane expressway, multi-model freight hubs, the Whanganui Port, and a Food and Logistics Strategy.

Whanganui & Partners shares the commitment of the Whanganui District Council to our constructive partnership. We appreciate the Council's support, direction and the opportunity to deliver on their vision.

Strategic Direction

This Statement of Intent is presented by Whanganui & Partners in accordance with the requirements of Section 64(1) of the Local Government Act 2002 (LGA 2002). In accordance with the Local Government Act 2002, this annual Statement of Intent publicly states the activities and intentions of Whanganui & Partners for the next three years and the objectives to which those activities will contribute. This Statement of Intent is in response to Whanganui District Council's Letter of Expectation and includes performance measures and targets for the next 12 months.

The Statement of Intent takes direction from Whanganui District Council's Economic Development Strategy 2019. This strategy is primarily driven by Whanganui & Partners. Whanganui & Partners is a CCO that provides economic development functions for the district, with support provided by the Council.

The Statement of Intent also takes direction from Te Pae Tawhiti. This strategy sets out an inter-generational strategy for Māori economic development in the Whanganui-Manawatū region. Te Pae Tawhiti reflects the vision of iwi, hapū and whānau for a future where economic growth can be realised as a conduit to the sustainability and wellbeing of whānau, lands, waterways, marae, language and future generations.

The Whanganui District Council's over-arching values and behaviours set the scene for the ways in which we will work to meet our strategic objectives:

Our vision is to grow Whanganui – vibrant, prosperous and rich with opportunities. To achieve this vision we focus on retaining, growing and attracting people and businesses to Whanganui.

Nature and Scope of Activities

Whanganui & Partners' strategies encapsulate work already ongoing and projects necessary in future. They are also designed to complement Te Pae Tawhiti, the Council's Leading Edge and Economic Development Strategies.

Whanganui & Partners' structure has evolved from three key focus areas – business, destination, education - to one of employing strategic experts to ensure a cohesive plan is delivered for the good of economic prosperity across Whanganui. We cluster our efforts to ensure our projects and their teams are effective.

The Whanganui & Partners team takes on a role as either leader, driver or facilitator in projects, often shifting roles as the project develops. The activities we undertake include but are not limited to:

- Facilitating and supporting initiatives designed to attract, retain and grow businesses
- Actively encouraging and facilitating relocation of business ventures, projects and opportunities to the region, including assistance through regulatory processes
- Encouraging, facilitating, recognising and celebrating business excellence
- Development of a culture of enterprise in the region
- Leveraging regional and central government funding and other resources
- Facilitation of industry training and enterprise development programmes
- Attracting and developing capital investment opportunities in the region
- Facilitation of access to growth funds, research and development grants and other positive interventions to ensure Whanganui businesses maximise their potential
- Facilitating in the establishment and development of sustainable new and existing businesses
- Contributing to enhancing community organisations' capacity to initiate and manage projects that contribute positively to economic, community and environmental outcomes
- Encouraging and facilitating existing and new tourism opportunities to become self-sufficient, sustainable and to meet market demands in terms of experience, accessibility and quality
- Liaising and fostering closer relationships with other regional councils and local authorities in New Zealand
- Promoting the region to attract new residents, visitors, businesses, investment and students
- Such other activities as the Board thinks fit (but subject to the provisions of the company's constitution) to carry out the general purposes of the company.

Accounting Policies and Financials

Council-Controlled Organisations (CCO) are subsidiary corporate structures used for commercial activities that are distinct from the 'core functions' of a local authority, i.e.; CCOs are established to hold and manage the commercial (or other corporate type venture) interests of a local authority thereby clearly separating its regulatory and ownership functions – nonetheless it is the Council that remains accountable to its community for CCO performance.

Whanganui and Partners Limited is a non-trading exempt Council Controlled Organisation. All expenditures are in accordance with the Councils Financial Delegation Policy with authority for expenditure according to approved budgets as detailed and approved by Council in the Annual Plan.

Whanganui & Partners' total operations budget for FY 2019/20 is $2.120M. In addition, Whanganui & Partners receives central government funding from the Regional Business Partner Network programme allocated for a Business Growth Advisor. Whanganui & Partners also manages the Whanganui i-SITE and community arts funding on behalf of Council.

The plans outlined in this Statement of Intent are as per the Annual Plan Proposed Budget 2020/21 (Year 3 of the 2018-28 Long Term Plan).

Performance Measurements

What we are seeking to achieve

In response to the Council's Letter of Expectation, Whanganui & Partners has identified four broad Outcomes. Our activities and initiatives are designed to achieve for Whanganui:

A thriving business community

Our businesses and sectors are growing, innovating and operating sustainably.

An aspirational brand

A distinguished, differentiated brand contributes to a strong reputation and experience, particularly for first-time visitors.

Our capability unlocked

Our people are work-ready and employers have access to a skilled workforce engaged with lifelong learning.

A creative identity

A strong and vibrant creative sector forms the heart of an identity that attracts visitors, residents, students and businesses, generating employment and growing innovation.

These Outcomes will be achieved through Priorities set out in the Council's Letter of Expectation. These Priorities reflect the role Whanganui & Partners is able to play in each of the broader Outcomes.

The following tables detail the Priorities that Whanganui & Partners will focus on in pursuit of the broader Outcomes.

Performance Measurements

What we will do to achieve it

Key projects have been identified to support each priority.

The tables below detail the Key Projects that will make up Whanganui & Partners' activities and initiatives.

How we will demonstrate progress

Progress on Whanganui & Partners' KPIs are reviewed internally at weekly Team Meetings and reported on every two months to the Whanganui & Partners Board.

Whanganui & Partners is required to update the Council with information about their achievements, progress against this Statement of Intent, developing issues or any other matter requiring Council input or of public interest.

The Board Chair or his/her Board representative will present to Council in conjunction with the following reporting format:

- Quarterly activity reports: March, June, September & December Council meetings.
- Verbal updates in February, May, August and November of each year. This update will also include a tabled summary financial report.
- Ad hoc reporting on specific issues as required with the approval of the Mayor.

Confirmed minutes of Board meetings will be circulated to Elected Members (excluding any confidential items).

Separate to the above reporting regime the Chairperson will formally meet with the Mayor and Chief Executive on a quarterly basis (commencing February of each year).

How we will demonstrate success

Clear, specific and quantitative or qualitative performance measures have been detailed for each Key Project. While the outcomes and priorities reflect a longer-term vision, Key Performance Measures have been designed to reflect either completion of a project or significant progress over a 12 month time period.

KPIs measure success in the context of the contribution Whanganui & Partners is expected to make in the 12 month timeframe.

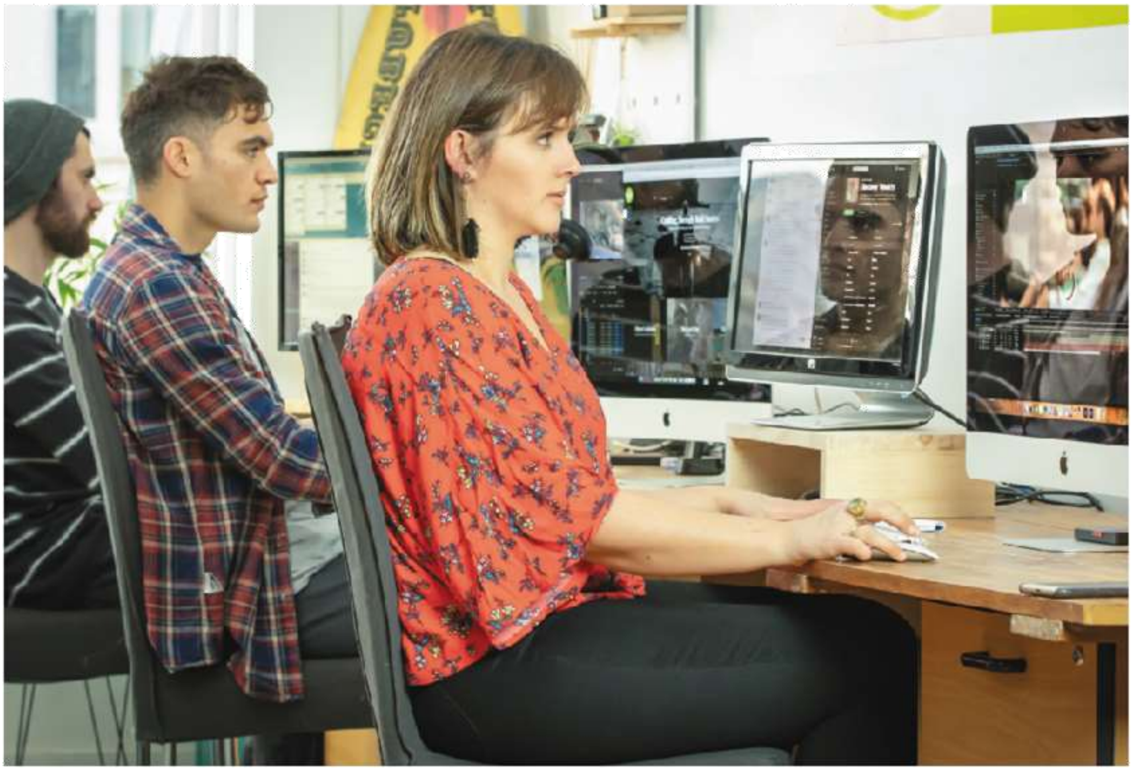
The tables below detail the measures and targets the CCO will use to assess the contribution it makes to its outcomes and impacts.

Performance Measurements

The Overall Performance Picture

Broader economic indicators are too widely influenced and often reported too late to be appropriate as KPIs for Key Projects, however they are monitored by Whanganui & Partners as indicators of progress. These are:

- Growth of percentage of jobs in skilled or highly skilled categories meeting or exceeding national average
- Average income growth meeting or exceeding national average
- Labour Force Participation rate meeting or exceeding national average
- Population growth meeting or exceeding national average
- Consumer spend growth meeting or exceeding national average
- Visitor spend growth meeting or exceeding national average
- Visitor nights growth meeting or exceeding national average
- Whanganui/Manawatu NEETS rate meeting or is below national average
- District's GDP growth meeting or exceeding national average
- GDP of key sectors growth meeting or exceeding national average.



Key Strategic Priorities

Priority One: Business

OUTCOME: **A thriving business community** – Our businesses and sectors are growing, innovating and operating sustainably.

Priorities/Objectives for Whanganui & Partners	What we will do to achieve it – key projects(s)	How we will demonstrate success in achieving it – the performance measure(s) / target(s)
Economic impact of local large enterprise grows	Develop capability via a permanent physical environment that enhances business-to-business collaboration through co-location and shared access to technology.	Physical premises is established (IQ2 concept).
	Engage regularly with sector to optimise retention and growth of our existing businesses.	Sector group established, meeting quarterly contributing to business retention rate improving.
	Partner with real estate and property developers to attract new enterprise to Whanganui.	One large enterprise confirms intention to set up in Whanganui.
	Support Whanganui District Council to identify opportunities in land development, town planning and infrastructure.	Partner with Whanganui District Council on two flagship development projects.
	Develop Logistics Strategy and Action Plan to increase connectivity to customers and export markets.	Logistics Strategy and Action Plan completed and first phase implementation begun.
Small businesses have the tools to grow sustainably	Develop business skills and capability in start-up founders.	Run eight Business Start-up Workshops.
	Deliver the Regional Business Partners Programme within Whanganui, Ruapehu and Marton.	100 RBP Customers work closely with Business Advisor beyond initial discovery session.

Key Strategic Priorities

Priority One: Business

OUTCOME: **A thriving business community** – Our businesses and sectors are growing, innovating and operating sustainably.

Priorities/Objectives for Whanganui & Partners	What we will do to achieve it – key projects(s)	How we will demonstrate success in achieving it – the performance measure(s) / target(s)
New opportunities in the agribusiness sector increase productivity	Engage regularly with sector to optimise retention and growth of our existing farming businesses.	Sector group established, meeting quarterly contributing to business retention rate improving.
	Understand the need for improved rural digital connectivity in the district.	Deliver one survey to understand the key barriers and needs.
	Ensure that agri-technology becomes more mainstream in our sector.	Host one agri-tech showcase.
	Maximise business continuation by supporting transition of farming businesses, including succession planning.	Provide sector group with appropriate business models and information.
	Capture more economic impact from our agricultural sector through value chain innovation.	Three successful cases of land use diversification.
	Increase engagement with Māori landowners to grow the value of Māori agribusiness.	Two project partnerships established.
Local businesses operate successfully within the digital environment	Facilitate the use of digital technologies and smart approaches to drive innovation and productivity.	Run two digital workshops for businesses.
Businesses capitalise on opportunities and connections available through Whanganui & Partners	Foster a culture of capital investment within Whanganui.	Support two projects or seminars to increase appetite for capital investment.
	Utilise Business Friendly Process to engage with new and growing businesses.	12 businesses engaged in Business Friendly process.
	Develop a clear framework for the role Whanganui & Partners takes in helping deliver against the goals of Whanganui Chamber of Commerce, Te Manu Atutū, Whanganui Māori Regional Tourism Organisation and Mainstreet Whanganui.	Signed MOUs with partners.
	Attract central government organisations to Whanganui.	One business case competed for government organisation relocation to Whanganui.

Key Strategic Priorities

Priority Two: Branding & Marketing

OUTCOME: : **An aspirational brand** – A distinguished, differentiated brand contributes to a strong reputation and experience, particularly for first-time visitors.

Priorities/Objectives for Whanganui & Partners	What we will do to achieve it – key projects(s)	How we will demonstrate success in achieving it – the performance measure(s) / target(s)
The Whanganui brand is clearly defined and targeted	Develop overarching marketing and events strategies around a defined brand position, target audiences, competition and competitive advantages.	Strategy is delivered to time and budget.
	Develop meaningful metrics (eg. surveys) to evaluate the effectiveness of our marketing activity.	Methodology for evaluating effectiveness scoped and implemented.
Whanganui & Partners is perceived as a leader in economic development locally and regionally	Promote Whanganui & Partners' economic development activities and expert commentary via local and regional media.	Whanganui & Partners mentioned prominently local and regional media 100 times; 85% of mentions are favourable.
	Develop channels to directly engage with the community.	100 people attend each Public Forum; newsletter subscriber base increases by 5% while maintaining an open rate over 33% attendance; Facebook and LinkedIn following increases 5%.
Our competitive advantages attract new businesses, residents, visitors and students	Run effective advertising campaigns through a strong proposition and delivered through a multi-channel approach.	Deliver 2 x visitor campaigns and a minimum of 1 campaign targeted at new residents and businesses; Unique users visiting website increases by 5%; Unique users from out of Whanganui increases by 5%.
	Develop clear propositions to demonstrate our competitive advantages to new business, residents, visitors and students.	Propositions are developed, agreed and included within campaigns.
	Develop a Content Strategy that identifies an approach to gaining positive PR for Whanganui.	Content Strategy is scoped, developed and implemented.
	Deliver effective communication on ongoing basis to support all sector initiatives.	Social media following across all 'Discover' channels increases by 1%; Unique website users from social media increases by 10%; Deliver 5 x national stories (newspaper, online, magazine and/or television), driven by Whanganui & Partners.
	Upgrade key touchpoints for customers: • Websites designed to attract new business, residents, visitors and students • Promotional signage including entrances into Whanganui city and district • i-SITE acts as a key point to first-time visitors to Whanganui.	Website is delivered; Signage reflects Whanganui's brand position; i-SITE customer satisfaction of 4.5/5; 25,000 visitors served by i-SITE.

Key Strategic Priorities

Priority Two: Branding & Marketing

OUTCOME: : **An aspirational brand** – A distinguished, differentiated brand contributes to a strong reputation and experience, particularly for first-time visitors.

Priorities/Objectives for Whanganui & Partners	What we will do to achieve it – key projects(s)	How we will demonstrate success in achieving it – the performance measure(s) / target(s)
Our visitor experience is enhanced, leading to growth in visitor numbers	Deliver a destination management plan that considers the future needs of tourism infrastructure to enable economic growth.	Delivery of strategy/plan documents to time and budget.
	Scope an eco-cultural hub with key partners to provide greater opportunity for visitors to engage with Te Awa Tupua.	Scoping study is completed.
	Develop the Coastal Arts Trail alongside regional partners to strengthen our recognition of the arts.	20% of local arts businesses sign up to Coastal Arts Trail.
	Develop our boutique shopping experience as a visitor attraction, with Victoria Avenue highlighted prominently.	MOU with Mainstreet; Victoria Avenue featured in destination marketing .
	Identify and support initiatives that enhance our tourism experience, including the potential needs for new product and packaging of existing product.	Attract or develop two new products or initiatives that enhance the tourism experience.
	Deliver a four star hotel.	Project is established, investor pitch is developed with engagement with potential developers underway.

Key Strategic Priorities

Priority Two: Branding & Marketing

OUTCOME: : **An aspirational brand** – A distinguished, differentiated brand contributes to a strong reputation and experience, particularly for first-time visitors.

Priorities/Objectives for Whanganui & Partners	What we will do to achieve it – key projects(s)	How we will demonstrate success in achieving it – the performance measure(s) / target(s)
Whanganui hosts nationally significant events that create long-term economic benefits and enhance our brand recognition	Develop and implement an events strategy designed to inform a future direction for the scale and type of events Whanganui needs to grow its brand. This includes analysing current event performance and infrastructure.	Events Strategy is developed on time and to budget.
	Increasing the impact of iconic events, particularly in regards to attracting visitors from outside of our district.	All events funded by Whanganui & Partners complete Communications and Marketing Plan and meet reporting requirements to evaluate success of event in a timely fashion.

Key Strategic Priorities

Priority Three: Education and capability

OUTCOME: : **Our capability unlocked** – Our people are work-ready and employers have access to a skilled workforce engaged with lifelong learning.

Priorities/Objectives for Whanganui & Partners	What we will do to achieve it – key projects(s)	How we will demonstrate success in achieving it – the performance measure(s) / target(s)
Education and training in Whanganui is a pathway to employment	Support the connection between young people and Whanganui business to create strong information flow and opportunities for fulfilling employment within our focus sectors (other SL areas).	Deliver in partnership with the Local Skills and Talent Working group at least two projects or programmes of work targeted at linking young people into vocational career pathways in Whanganui. (Road trip event, YES platform).
	Partner with 100% SWEET and WDETT to deliver a programme of work targeted at reducing Whanganui's NEET's rate.	Support 100% SWEET to deliver their Work Ready Programme to Whanganui and Rangitikei Secondary Schools and Tertiary providers
	Deliver a programme of work that targets international students (in Whanganui and wider NZ) to be linked to job opportunities in Whanganui (focused on skill shortages).	Develop and deliver in partnership with the Central Regions and ENZ an international student employability project.
	Develop a Business Innovation, Training and Talent Strategy for Whanganui which future programmes of work by Whanganui and Partners- and our partners can deliver and invest in.	Develop and deliver the Business Innovation, Training, and Talent Strategy.
Strength and diversity of education/training provisions attracts local, regional, national and international students to study in Whanganui	Work collaboratively with education providers to grow their offerings.	Support WDETT to develop and deliver the Port Employment Precinct Project including increasing government and private funding for this project. Supporting one targeted project the development and expansion of the New Zealand International Commercial Pilot Academy (NZICPA).
	Develop a project to locate an International/Private School in Whanganui targeting international students at secondary school age.	Complete stage 1 of the International/ Private school project which will be the feasibility and development of a pilot programme.
	Increase higher level education, research and innovation opportunities oriented around our "ports", both aero and sea, and our Manufacturing and Agribusiness sectors.	Development of at least one project that focuses on bringing new education opportunities. (Massey, Mini Hacks, Innovation etc.).
	Leverage the strength in creative industries to increase student attraction to Whanganui.	Supporting one targeted project the expansion of creative arts education opportunities.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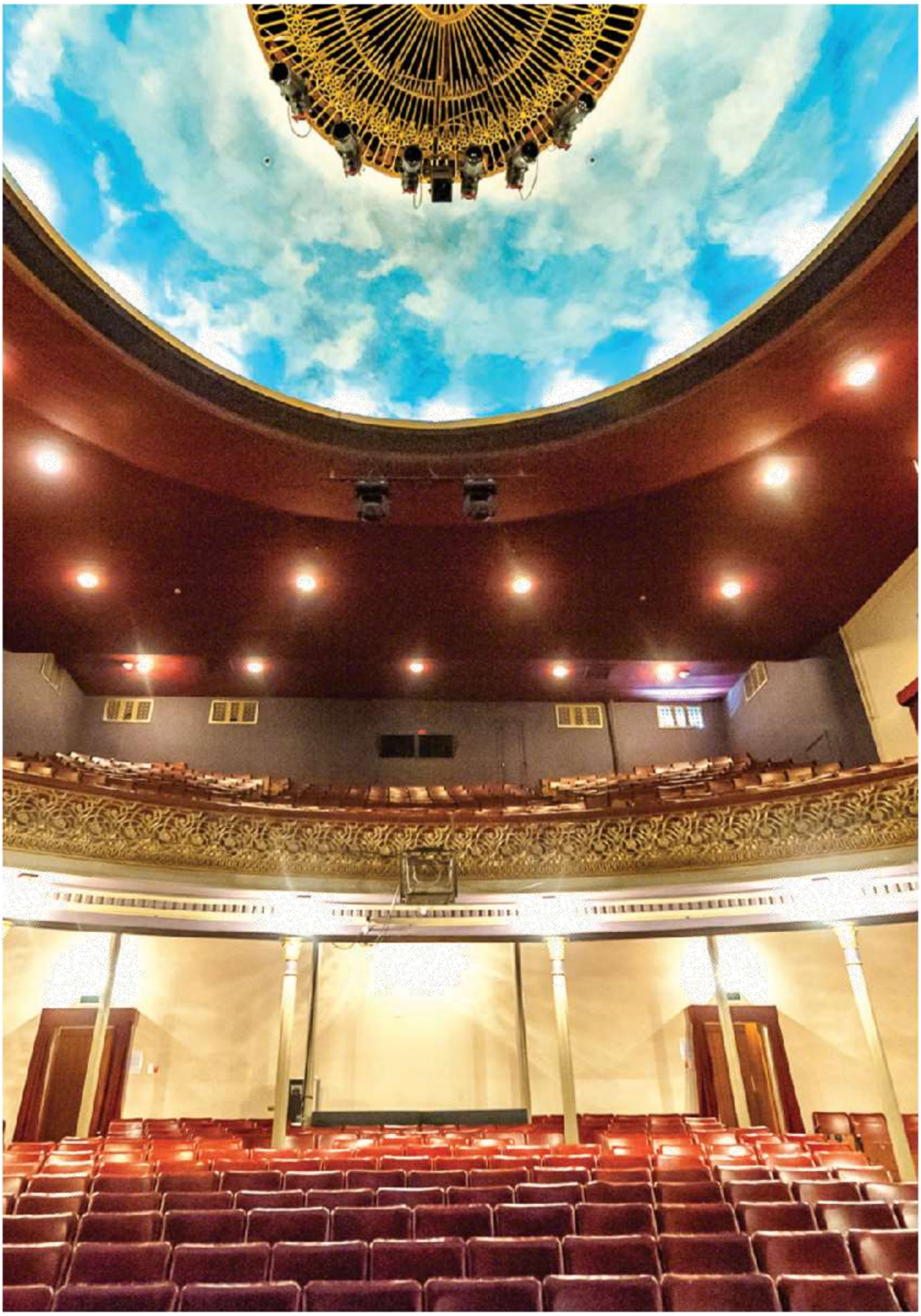
STATEMENT OF INTENT | DRAFT

Key Strategic Priorities

Priority Four: Creative Industries

OUTCOME: : **A creative identity** – A strong and vibrant creative sector forms the heart of an identity that attracts visitors, residents, students and businesses, generating employment and growing innovation.

Priorities/Objectives for Whanganui & Partners	What we will do to achieve it – key projects(s)	How we will demonstrate success in achieving it – the performance measure(s) / target(s)
The Arts & Culture Strategy is delivered through work with individuals, hapū, community groups, funders, Council and other creative sector partners	Grow the profile of Whanganui as an arts and culture destination for tourism and business regionally and nationally.	Arts and culture featured prominently in destination marketing leading to a very strong agreement that Whanganui has a lot of arts and cultural activities at 33% in annual perceptions survey.
	Interface regularly with creative industry stakeholders, providing the sector with effective mechanisms to access relevant information about sector developments, funding opportunities and support available from W&P.	Sector group established, meeting quarterly.
	Advocate the value of partnering the creative sector with wider businesses to generate innovation.	Identify existing models of bringing together businesses and creatives for capturing the value of co-innovation; one business engages an artist in their business processes.
	Promote the vocational pathways for creative industries and foster professional development and education opportunities.	Revive Summer School projects in partnership with providers.
	Encourage new creative sector champions.	Three sector champions identified and supported to raise the profile of the creative industries inside and outside of Whanganui.
	Support networking opportunities with the Whanganui creative sector.	Facilitate two networking events for the creative sector
Community arts events attract visitors and enable growth of creative industries	Administer funding of community arts events that meet W&P event funding criteria.	Funding is administered.
	Support event organisers to develop and implement Marketing and Communications plan.	All organisers have completed Communications and Marketing Plan as provided by SL – Brand, Events & i-SITE.



Approach to Governance

Our approach to governance

Because Whanganui & Partners operate in a public (thus political) environment, it adds an element of complexity to the relationship between Council and Whanganui & Partners. The Council aims for a partnership-based approach with Whanganui & Partners through the principles of good governance.

Principles of good governance of Whanganui & Partners

Good governance will incorporate the following core principles:

Respecting the rights and interests of Local Iwi

Deepen comprehensive understanding and respected relationships within tangata whenua.

Leadership

Ensure Whanganui & Partners is seen as a leader in delivering economic growth for the region, while aligned with and supporting the Council's strategic direction.

Partnership

Build upon business and stakeholder relationships that support the Council's commitment to working towards a successful and profitable community.

Accountability

Decisions are aligned to community expectations and the Council's plans, policies and KPIs.

Transparency

An open, honest and proactive approach is demonstrated with decisions driven by robust data.

Fiscal prudence

Business is undertaken in a way that provides value for money.

Board Compliance

The Council expects the Whanganui & Partners Board to:

- Comply with all legislative requirements, including the LGA2002, the Companies Act 1993 and the Health and Safety at Work Act 2015.
- Make decisions consistent with the Company Constitution/Trust Deed and Statement of Intent.
- Drive principles of good governance through each of their organisations.
- Maintain an up-to-date 'Directors/Trustees Interests' register.

The Board will also operate according to the best practice statements produced from time to time by the Institute of Directors in New Zealand.

Managing risks

The Board of Whanganui & Partners is required to keep the Council well-informed of significant risks, including reputational risk, in a timely manner.

Whanganui & Partners will maintain and regularly review their own risk registers and provide a risk governance assurance report through to the Council's Audit and Risk Committee on a half yearly basis. Risk management shall be aligned to the Council's approach to risk management, especially where decisions made may have or are perceived to have a major impact on ratepayers, customers and citizens (refer to Whanganui District Council's Risk Management Policy and Risk Management Framework).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WHANGANUI AIRPORT JOINT VENTURE - STATEMENT OF INTENT

FOR YEAR COMMENCING 1 JULY 2020

This statement is submitted by the partners of the Whanganui Airport Joint Venture in accordance with section 64 of the Local Government Act 2002. It sets the overall intentions and objectives of the Joint Venture for the three financial years beginning on 1 July 2020.

The airport is operated under a Joint Venture agreement between the Whanganui District Council and the New Zealand Government established under the Airport Authorities Act (1966). The Joint Venture is a deemed company under the Income Tax Act (2004).

1 Definitions

"JV" means Joint Venture between the Crown and Council.
"CCO" means the Whanganui Airport Joint Venture, being a Council Controlled Organisation.
"Council" means the Whanganui District Council.
"Crown" means the New Zealand Government.

2 Objectives

2.1 The JV's primary objectives are to:

2.1.1 Provide high quality facilities and service commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to airport and aviation operations in line with the size of Whanganui Airport.

2.1.2 Operate the airport in a sound and business-like manner.

2.1.3 Improve the long term value and financial performance of the airport while improving the economic value of the airport to Whanganui.

3 Governance

3.1 The JV partners have delegated governance and statutory management responsibilities to the Whanganui District Council.

4 Nature and scope of activities

4.1 The airport provides take-off, landing, ground handling and passenger terminal facilities for scheduled airline services.

4.2 It also provides a base for commercial, training and recreational aviation activity.

4.3 The ongoing development of aviation and associated service and infrastructure is subsequently intended to support activity, business and employment.

5 Consolidated shareholders funds

5.1 For the year ended 30 June 2019, consolidated shareholders funds as a ratio to total assets was 95%. Per the JV's Annual Report 2019, equity was $8.7M and total assets were $9.2M.

5.2 The target ratio of consolidated shareholders' funds to total assets shall not significantly alter to that stated in 5.1 for the period covered by this SOI. This target ratio does not take into account unusual or one-off type transactions that impact this ratio. The appropriateness of this target ratio will be reviewed annually by the Partners.

6. Accounting policies

6.1 The Statement of accounting policies for the year ended 30 June 2019 is attached in Appendix 1.

7 Performance targets

7.1 The forecast performance targets for the next three years are:

7.1.1 Reduction of the current loss position to 'break even' or to a level acceptable to the partners in the light of the CCO's economic value to Whanganui.

7.1.2 Compliance with all aspects of Part 139 of the Civil Aviation Rules with a minimum of one requirement per inspection.

7.1.3 Delivery of an activity plan and subsequent achievement of the individual targets outlined within that plan.

8 Distributions to shareholders

8.1 Under the JV agreement the partners contribute equally to losses and share any profits.

8.2 The JV will not have any funding to pay a dividend in the foreseeable future. Resources will be allocated to the sustainability of the service and reduction of the operating deficit.

9 Information to be provided to shareholders

9.1 To better achieve the stated objectives, an activity plan is produced to set out the JV's short and long term strategies and include an annual budget.

9.2 The CCO will produce reports in accordance with the Local Government Act 2002 and generally accepted accounting practice.

9.3 The financial statements will be prepared and audited by 30 September.

9.4 The CCO will produce monthly management reports in accordance with Whanganui District Council management reporting systems.

10 Procedure for acquisition or sale of shares and property

10.1 Before the JV subscribes for, purchases or acquires shares in any other company, or acquires any interest in any business or property whatsoever the JV shall give at least 21 days notice to WDC and in turn the Crown of such proposals prior to the JV deciding whether or not to proceed.

10.2 The JV shall not proceed to purchase without an ordinary resolution first being completed by WDC.

11 Compensation

11.1 Other than normal business transactions provided to WDC there are no activities for which the JV will be seeking compensation from any local authority.

12 Commercial value

12.1 The estimate of the commercial value of the JV is $8,733,000. The investment is made up by way of equity as at 30 June 2019.

12.2 The JV, upon request from the JV partners, will provide within their Annual Report an assessment of the then current commercial value of the shareholding.

13 Forecast financial statements (2021 – 2023)

FORECAST FINANCIAL STATEMENTS (2021 - 2023)			
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE			
FOR THE YEAR ENDED 30 JUNE	2021	2022	2023
Revenue			
Landing charges	220	231	243
UNICOM charges	130	137	143
Rentals and leases	110	110	110
Café income	146	146	146
Other	76	76	76
Operating revenue	**682**	**699**	**718**
Expenditure			
Café operating costs	213	213	213
UNICOM operating costs	134	134	134
Airport operating costs	576	532	566
Operating expenses	**923**	**879**	**913**
Net cost of operations (excl depreciation)	**(241)**	**(180)**	**(195)**
SCHEDULE OF MAJOR CAPITAL EXPENDITURE			
FOR THE YEAR ENDED 30 JUNE	2021	2022	2023
Parallel taxiway*	4,100		
Runway resurface			3,000
Terminal Roof		30	
Masterplan development		30	
Instrument approach procedure revamp	20		
HVAC installation - terminal			70
Paint Terminal Building	29		
Replace protective barriers around approach lighting	21		

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CCTV camera upgrade	5		5
UNICOM installation	81		
Upgrade long term car park fences	10		
Café plant replacement	5		
Boundary/Fences	10	10	10
Extend landside car park		20	
Relocate long term car park		301	
Extend short term car park			201
Autodoors upgrade			26
*Application has been made to central government to assist funding of the parallel taxiway project			

14 Other matters

14.1 The JV operates in accordance with the Joint Venture agreement at all times.

APPENDIX 1

Statement of accounting policies

For the period ended 30 June 2019

REPORTING ENTITY

The Whanganui Airport (WAJV) is a joint venture between the Whanganui District Council and the New Zealand Government established under the Airport Authorities Act 1966. WAJV is a Council Controlled Organisation (CCO) of the Whanganui District Council (WDC) as defined by section 6 of the Local Government Act 2002 and is domiciled in New Zealand.

The primary objective of WAJV is to provide high quality facilities and service commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to airport and aviation operations of the size of Whanganui Airport, operate the airport in a sound and business-like manner and improve the long term value and financial performance of the airport along with improving the economic value of the airport to Whanganui. Accordingly, WAJV has designated itself as a public benefit entity (PBE) for Financial Reporting Purposes.

The financial statements of WAJV are for the year ended 30 June 2019. The financial statements were authorised for issue on 27 September 2018 by the Whanganui District Council.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The going concern basis is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the WAJV to continue as a going concern.

Statement of compliance

The financial statements of WAJV 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 Tier 2 PBE accounting standards on the basis that the WAJV does not have public accountability (as defined) and has total annual expenses of less than $30 million. They comply with these PBE Standards.

The financial statements are prepared using the historical cost method, modified by the revaluation of land and buildings and certain infrastructural assets.

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

SPECIFIC ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of surplus or deficit and financial position, have been applied:

Revenue

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below:

Provision of commercially based services

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date.

Vested assets
Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in WAJV are recognised as income when control over the asset is obtained, unless there is a use or return condition attached to the asset.

Sale of goods
Revenue from sales of goods is recognised when a product is sold to the customer.

Parking infringements
Parking infringements are recognised when tickets are issued.

Interest
Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Borrowing costs

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 profit for the current year, plus any adjustments to income tax payable in respect to 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 profits.

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 the tax consequences that would follow from the manner in which the entity 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 accounting profit nor taxable profit.

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

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

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

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

WDC from time to time funds the working capital of WAJV. At balance date this is represented as a current liability in the statement of financial position. The WDC current account is included in the statement of cash flows as it represents actual WAJV cash in flows and out flows.

Receivables

Receivables are recorded at their face value, less any provision for impairment.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Property plant and equipment

Property, plant and equipment consists of:

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

Infrastructure assets – this includes the airport runway.

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

Revaluation

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

WAJV 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.

WAJV accounts for revaluations of property, plant and equipment on a class of asset basis.

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

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 WAJV 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 through a non-exchange transaction, 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 reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, 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:

Buildings	50 years	2%
Plant and equipment	5 to 50 years	2-20%
Infrastructural assets		
Airport runway	10 years	10%

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

Impairment of property, plant and equipment

Property, plant and equipment subsequently measured at cost that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash- generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Payables

Short-term creditors and other payables are recorded at their face value.

Borrowings

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

Borrowings are classified as current liabilities unless WAJV has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Employee entitlements

Short-term employee entitlements

Employee benefits that WAJV expects to be settled within 12 months after the end of the period in which the employee renders the related service are measured 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.

WAJV 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 WAJV anticipates it will be used by staff to cover those future absences.

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

Long-term employee entitlements

Entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Equity

Equity is the community's interest in WAJV 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:

- accumulated funds
- property, plant and equipment reserves

Property revaluation reserves

This reserve relates to the revaluation of property, plant, and equipment to fair value.

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 WAJV 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:

Property, plant and equipment useful lives and residual values

At each balance date WAJV 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 the WAJV to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by WAJV, 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. WAJV minimises the risk of this estimation uncertainty by:

- an annual review by an independent contractor of the value of the infrastructure assets to determine if any material changes exist.
- physical inspection of assets
- asset replacement programs
- 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

WAJV has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 8.

WAJV infrastructural assets

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example WAJV could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by WAJV performing a combination of physical inspections and conditional modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset;
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then WAJV could be over or under estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk, WAJV's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the WAJV's asset management planning activities, which gives WAJV further assurance over its useful life estimates.

Valuations of infrastructural assets are performed in-house by experienced engineers and the valuations are peer reviewed by independent experts.

WHANGANUI DISTRICT COUNCIL HOLDINGS LIMITED

STATEMENT OF INTENT FOR YEAR COMMENCING 1 JULY 2020

The Directors of Whanganui District Council Holdings Limited submit this statement in accordance with section 64 of the Local Government Act 2002. This SOI takes the Shareholders Letter of Expectation into consideration and sets out the overall intentions and objectives of the Company for the year 1 July 2020 - 30 June 2021

1 Definitions

Board refers to the Board of Directors of Whanganui District Council Holdings Limited
GasNet refers to GasNet Ltd
NZICPA refers to New Zealand International Pilot Academy Ltd
WDCHL refers to Whanganui District Council Holdings Limited
WDC refers to Whanganui District Council and the shareholder
Consolidated shareholder funds refers to both share capital and reserves as recorded in the Company's Group Statement of Financial Position.
Total assets refers to the Companies current and non-current assets as recorded in the Group Statement of Financial Position.

2 Objectives

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

2.2 The Company aims to improve the long term value and financial return that WDC recieves from its commercial entities by:

2.2.1 Optimising financial and physical resources through close scrutiny of potential areas of inefficiency, waste or under–utilization of capital.

2.2.2 Providing prudent management of investments and timely, constructive professional advice regarding its position as shareholder in WGL, NZ International Commercial Pilot Academy Ltd, and any other subsidiary companies or undertakings.

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

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

2.2.5 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.

Specific objectives for 2020-2021
Performance Metrics/Objectives

Objective	Performance metric
National Simulator Centre	
1. Provided investment is agreed from all parties proceed with plans to construct a National Simulator Centre in Whanganui	• National Simulator timelines are in place and work is underway.
	• Funding secured.
NZICPA	
3. Make NZICPA profitable	• Positive net profit for the year.
4. Ensure NZICPA has appropriate, fit-for-purpose accommodation and infrastructure	• All students housed in suitable accommodation. • Collegiate Motor Inn repurposed for NZICPA. • Aircraft, hangar , and other infrastructure meets the needs of students and our contracts with

	airlines.
5. Ensure NZICPA has the resources and business systems required to be a sustainable, stand-alone business.	
GasNet	
6. Operate GasNet efficiently and in compliance with regulations.	• EBITDA greater than $3.0 m • No material breaches of regulations. • Customer performance metrics (SAIDI, CAIDI etc) achieved.
Financial	
7. Review the group's capital structure to ensure it is prudent and suitable for the strategic path of the subsidiaries.	• Review completed and changes (if any) agreed with Council.
8. Generate an adequate financial return for the group as a whole.	• Council requests a return of 14% on its paid up share investment in WDCHL.
Other	
9. Director induction: of new director(s) .	• New board information compiled on basis of revised structure
10. Board performance: review of board performance at year end.	• Review completed and any identified issues are acted upon.
11 Provide commercial and strategic advice to WDC on an 'as required basis'.	

3 Governance

3.1 The Board governs the activities of WDCHL in accordance with the requirements of the Companies Act, Corporate Best Practice and the views of its shareholder the Whanganui District Council as set out in its Letter of Expectation.

3.2 The Board will ensure that any activities are undertaken in accordance with the CCO Director Appointment and Remuneration Policy 2019; and

3.3 The Board will align any strategy, business plan and activities to reflect the strategic objectives of the Council.

3.4 The Board, in particular the Chair, will keep the Council informed of any issues or concerns which may impact on the ability of WDCHL to deliver on Council's expectations and

3.5 The Board will maintain effective ongoing relations with Council, and nominated Council officers

4 Nature and scope of activities

4.1 The business of WDCHL will primarily be to hold shares in WGL and other subsidiaries or undertakings transferred to the WDCHL, to provide strategic planning advice to WDC when required and to undertake such other matters as shall be determined by the board, in conjunction with WDC.

5 Consolidated shareholders' funds

5.1 For the year ended 30 June 2019, consolidated shareholders' funds, as a ratio to total assets was 57.4%. The Company's Annual Report 2019 shows group equity was $30.04M and total group assets were $52.94M.

5.2 The target ratio of consolidated shareholders' funds to total assets will alter this year with the planned purchase of the new aircraft and infrastructure for NZICPA of $28m. WDC as shareholder has approved this purchase to be debt funded. This will increase the borrowings of WDCHL by $28mand the Directors expect tis ration to reduce to 37% by the end of 2021. The Directors will review the appropriateness of this target ratio annually.

6 Accounting policies

6.1 The Statement of accounting policies for the year ended 30 June 2017 is attached in Appendix 1.

7 Distributions to shareholders

8.1 The Board will comply with the procedures and requirements as they relate to dividends pursuant to the Companies Act 1993.

8.2 Recommendations to WDC will be based on:

8.2.1 The retention of an appropriate level of earnings before reinvestment in the business and capitalisation needs;

8.2.2 Maintenance of the desired ratio of the shareholders funds to total assets.

8.2.3 Taking into account the Company's working capital needs, including appropriate provision for its maintenance programme, the shareholder requests a return of 14% on its paid up share investment in WDCHL.

8 Information to be provided to shareholders

9.1 To enable WDC to make an informed assessment of the operation of the WDCHL and its investment in WDCHL, any information that would normally be supplied to a controlling private shareholder will be made available. In addition, WDCHL will meet all the requirements for information disclosure in the relevant legislation.

9.2 The Board will report on the activities and progress of WDCHL in accordance with the Whanganui District Council CCO Director Appointment and Remuneration Policy 2019. This includes a quarterly activity report, and a verbal update in February, May, August and November. The verbal update would also include a tabled financial report.

9.3 A half yearly report in accordance with Section 66 (Half-yearly report) and Section 71 (Protection from disclosure of sensitive information) of the Local Government Act 2002 will be provided to WDC. The report will contain the following financial information:

(a) a statement of financial position as at the end of the period;

(b) a statement of comprehensive income for the period.

9.4 By 30 September each year the Board will deliver to WDC and make available to the public; an audited Annual Report prepared in accordance with generally accepted accounting practice and the Local Government Act 2002.

9.5 WDCHL will provide to WDC's Audit & Risk Committee an annual update to its risk register.

9.6 WDCHL will report to WDC on a regular basis as set out in the WDC Council Controlled Organisations Governance Manual

10 Procedure for acquisition or sale of shares and property

10.1 Before the Company or any subsidiary subscribes for, purchases or acquires shares in any other company, or acquires any interest in any business or property whatsoever the Directors shall give at least 21 days notice to WDC of such proposals prior to the Directors deciding whether or not to proceed.

10.2 The Company shall not proceed to purchase without an ordinary shareholders resolution first being completed by WDC.

10.3 The Company under clause 11 of its constitution cannot sell shares of any company in which it has a shareholding or divest of any asset without a resolution of WDC.

11 Compensation

11.1 Other than remuneration for services provided to WDC there are no activities for which the Board will be seeking compensation from any other local authority.

12 Commercial value

12.1 The Board estimates a commercial value of $30m for GasNet. The investment is made up by way of subscribed share capital. No current value has been assessed for NZICPA.

12.2 The Directors, upon request from WDC, will provide within their Annual Report an assessment of the then current commercial value of the shareholding at that time.

13 External transactions requiring disclosure

13.1 The Company has financing arrangements with the shareholder for short and long term borrowings and this is unlikely to change during the financial year ending 30 June 2020.

14 Other matters

14.1 The Directors and WDC have agreed prudent governance practices including that the Company should:

14.1.1 Monitor the performance of WGL by:
- 14.1.1.1 Considering the draft Statement of Intent
- 14.1.1.2 Analysing the financial reports of WGL
- 14.1.1.3 Regular review of the investment in WGL
- 14.1.1.4 Regular review of WDC's commercial investments as agreed with WDC

14.1.2 Facilitate the informed relationship between WGL and WDC by:
- 14.1.2.1 Preserving the operating autonomy of WGL
- 14.1.2.2 Applying business disciplines to professional management of WGL
- 14.1.2.3 Acting as a channel of communication between WDC and WGL
- 14.1.2.4 Promoting best practices in corporate governance
- 14.1.2.5 Providing a source of information and analysis

14.1.3 Notify WDC in advance of any endeavour, or other matter known to the Company, that may have political relevance in relation to its activities

14.1.4 Provide notification of any proposed changes to the composition of the Company and any subsidiary company.

14.1.5 Consider the Shareholder preference that;

Council support services are used where appropriate.

Ways to reduce the carbon footprint of WDCHL activities are explored
WDCHL commits to providing and maintaining a work environment that is safe for workers and all other persons using facilities, striving to achieve a zero-harm work place.

WDCHL commits to the principle of equal employment opportunity in the recruitment, employment, training and promotion of its employees.

Annette Main
Chair
Whanganui District Council Holdings Limited

APPENDIX 1

Statement of accounting policies
For the year ended 30 June 2020

REPORTING ENTITY

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

The group financial statements include its subsidiaries, Wanganui Gas Limited and New Zealand International Commercial Pilot Academy (NZICPA) which are also domiciled in New Zealand. On 1 July 2008 the two independent trading divisions of Wanganui Gas Limited, GasNet and Energy Direct NZ, were established as separate companies. Both companies are 100% owned by Wanganui Gas Limited. During 2013, the assets of Energy Direct NZ Ltd were sold and the company ceased to operate as an energy retailer. 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 second time into the Group accounts.

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

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

The financial statements of WDCHL are for the year ended 30 June 2018. The financial statements were authorised for issue by the Board of Directors on 30 October 2018.

BASIS OF PREPARATION

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

Subsidiaries
WDCHL consolidates as subsidiaries in the group financial statements all entities where WDCHL has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where WDCHL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by WDCHL or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

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

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

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

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

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

Revenue is derived from port operations, gas network distribution services and is also derived from the wash up of energy sales and recovery of debtors previously written off. Such revenue is recognised when earned and is reported in the financial period to which it relates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss
Financial assets at fair value through the statement of comprehensive income include financial assets held for trading. A financial asset is categorised in this category if acquired principally for the purpose of selling in

the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. WDCHL's financial assets at fair value through profit and loss include derivatives that are not designated as hedges.

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting
WDCHL uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, WDCHL does not hold or issue derivative financial instruments for trading purposes.

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

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

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

WDCHL designates certain derivates as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

- hedges of highly probable forecast transactions (cash flow hedge).

Inventories
Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lowest cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the statement of comprehensive income in the period of the write-down.

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

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

Property, plant and equipment
Property, plant and equipment consists of:

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

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

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

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

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

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

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

Additions

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

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

Computer software	3 years	33%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions
In preparing these financial statements WDCHL has made estimates and assumptions concerning the future which may differ from the subsequent actual results. Estimates and assumptions are continually evaluated by WDCHL 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 as in note 12.

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

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

GASNET LIMITED

STATEMENT OF INTENT

For the year commencing 1 July 2020

This statement is submitted by the Directors of GasNet Limited ("the Company") in accordance with Section 39 of the Energy Companies Act 1992 while acknowledging the Shareholder's obligations to comply with the Local Government Act 2002. It sets out the overall intentions and objectives of the Company for the three financial years beginning on 1 July 2020.

The Company is wholly owned by Whanganui District Council Holdings Limited (WDCHL), a Council Controlled Trading Organisation owned by Whanganui District Council (WDC).

1 **Objectives**

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

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

1.3 To achieve this, the Company intends to:

1.3.1 Meet customers' demand for network and GMS services in terms of quality of service and price whilst at all times complying with all applicable legislation, regulations and codes of compliance including the Gas Act, the Commerce Act, the Gas (Information Disclosure) Regulations and their amendments.

1.3.2 Plan, design, construct, operate and maintain network and metering systems to ensure the provision of a safe and reliable supply to consumers.

1.3.3 Wherever possible promote the use of natural gas as a form of energy and the use of energy efficient products and services, particularly those which result in increasing the utilisation and efficiency of the Company's networks.

1.3.4 Undertake new investments, which over their life are:

1.3.4.1 aimed at yielding a return consistent with the Company's targeted rates of return,

1.3.4.2 compatible with the Company's core business,

1.3.4.3 considered to be in the best interests of the Company.

1.3.5 Strive to constantly improve the Company's operations and to minimise operating costs where possible.

1.3.6 Manage business and commercial risk on a prudent basis.

1.3.7 Be both socially responsible and a good employer. In this respect the Company is committed to:

1.3.7.1 acknowledging individual employee contributions through appropriate remuneration.

1.3.7.2 providing job satisfaction by defining corporate and individual performance objectives and assessment, and developing employee potential by delegating authority, responsibility and accountability to the lowest appropriate level.

1.3.7.3 ensuring that personnel are trained and competent to provide appropriate cover for all key positions and that, where practical, there is a succession plan in place.

1.3.7.4 being a good corporate citizen by exercising the appropriate level of social responsibility toward the community and the environment, consistent with the conduct of a sustainably profitable business.

2. Nature and Scope of Activities

2.1 The Company's core business is that of network infrastructure utility company with interests in distribution networks and metering which may include natural gas, LPG and water. In doing so the company will provide its retailer customers with safe, efficient and reliable distribution services through the Company's networks.

2.2 Complementary activities undertaken may include technical advisory services and the facilitation of sales, installation and servicing of appliances and advisory services focussed on energy utilisation and efficiency.

2.3 In carrying out these activities, the Company will strive for the efficient utilisation of its human resources and capital assets.

3. Business Planning and Reporting

The Company will provide sufficient information to enable its Shareholder to assess the value of their shareholding, together with any information required to be disclosed in relevant legislation. To achieve this the Company will comply with the following planning and reporting guidelines.

3.1 Three Year Plan

3.1.1 The Three Year Plan will include the following:

3.1.1.1 Activities Plan for the next financial year

3.1.1.2 Key Performance Indicators for the next financial year

3.1.1.3 One-year Operating Budget By Section and Consolidated

3.1.1.4 One-year Capital Budget

3.1.1.5 Three-year financial forecast in summary

3.1.1.6 Risk Management Plan

3.1.2 The Draft Plan will be considered by the Directors at their May meeting.

3.1.3 The Final Plan will be adopted by the Company by 30 June.

3.1.4 The plan will be reviewed and, where appropriate, updated to take into account any material changes to the business by 30 October.

3.1.5 The revised plan will be provided to the Shareholder by 20 November.

3.2 Statement of Intent

3.2.1 The Company will produce a Statement of Intent that meets the requirements of the Energy Companies Act 1992 and the Companies Act 1993 while accommodating the Shareholder's requirement to comply with the Local Government Act 2002.

3.2.2 The draft document will be forwarded to the Shareholder by 1 March.

3.2.3 The Shareholder will provide its comments to the Company by 30 April.

3.2.4 The Directors will approve the document at their May meeting.

3.2.5 The final document will be sent to the Shareholder by 31 May.

3.3 Unaudited Six Months Financial Statement

This report, which will be provided to the Shareholder by the last day of February, will contain an unaudited Income Statement, a Balance Sheet and a Cash Flow Statement. This report will include such details as are necessary to permit an informed assessment of the Company's performance during the reporting period compared to the Three Year Plan.

3.4 Annual Report.

3.5.1 An Annual Report, which will be produced each year, will contain:

3.5.1.1 A report on the operations of the Company for the year under review.

3.5.1.2 An audited set of financial statements for the financial year containing an Income Statement, a Balance Sheet, a Cash Flow Statement and other statements as may be necessary to fairly reflect the financial position of the Company.

3.5.2 The process for the production of the Annual Report will be:

3.5.2.1 Management accounts sufficient to allow for consolidation purposes will be provided to the Shareholder as soon as they have been reviewed by the Board of Directors.

3.5.2.2 A draft report will be provided to Directors 7 days prior to their August meeting.

3.5.2.3 The report will be approved by Directors at their August meeting.

3.5.2.4 The report will be provided to the Shareholder by 30 September.

4. Capital Structure

The Company will maintain Consolidated Shareholders' Funds at a level as determined by the Board of Directors.

5. Accounting Policies

The Company's accounting policies are provided in Appendix 1.

6. Performance Targets

The Company's forecast commercial performance targets for the next three years are as follows;

		Target	
	2020/21	**2021/22**	**2022/23**
6.1 Health and Safety			
6.1.1 Incidents Reported (No.)	5	5	5
6.1.2 Lost Time Incidents	0	0	0
6.1.3 Lost Time Rate (Days Lost/Number LTI's)	0	0	0
6.2 Financial Performance			
6.2.1 EBITDA	$3.4m	$3.32m	$3.38m
6.2.2 Capex Depreciation Ratio	1.0	1.0	1.0
6.2.3 Rate of Return – minimum (EBITDA before subvention by Total Assets)	6.43%	6.43%	6.43%
6.2.4 Accumulated profits and capital reserves distributed to shareholder	$1.8m	$1.8m	$1.8m
6.3 Network Throughput			
6.3.1 Total Throughput	1.3PJ	1.3PJ	1.3PJ
6.3.2 UFG	1%	1%	1%
6.4 Operational Financial Performance			
6.4.1 Direct & Indirect Costs per consumer	$217	$220	$223
6.4.2 Direct & Indirect Costs per GJ conveyed	$1.71	$1.75	$1.78
6.5 Network Reliability			
6.5.1 *Planned Interruptions (Class B)* Consumer Hours Lost	370	370	370
6.5.2 *Unplanned Interruptions (Class C)* Consumer Hours Lost	80	80	80
6.5.3 *Unplanned Third Party Interruptions (Class I)* Consumer Hours Lost	40	40	40
6.5.4 *Total Interruptions* Consumer Hours Lost	490	490	490
6.5.5 Third Party Interference Damage (No.)	25	25	25
6.5.6 Public Reported Gas Escapes (No.)	50	50	50

7. Dividend Policy

The Directors are committed to meet the requirements of the Companies Act 1993 and its amendments when approving funds payable to the Shareholder. The Directors will determine the amount of the Company's distribution after consultation with the Shareholder and in accordance with the Company's Dividend Policy.

The Directors will distribute to the shareholder all funds surplus to the investment and operating requirements of the Company, as determined by the Directors, with a target dividend pay-out ratio in respect of each financial year of 100% of free cash flows, subject to satisfying solvency and other requirements specified in the Company's Dividend Policy.

8. Capital Expenditure and Share Acquisition

Capital expenditure is a matter to be considered by the Company's Board in establishing its annual and longer-term budgets. However it is recognised that the level of Capital expenditure and how it is financed has an impact on the short and long-term ability of the Company to pay dividends. Capital spending will be evaluated against the Company's target rates of return and be included in the financial projections for the next three years. Renewal of gas mains will be included in the financial projections based on an agreed asset management plan prepared following recognised best practice.

There will be times when significant Capital spending outside the budgeted projections will be required. This is an accepted business risk. When circumstances such as these arise the Company will advise the Shareholders of the event and response, including the implications for dividend and capital structure as soon as is reasonably practicable.

New capital investment that is not included in the Company's plans and which is greater than $100,000 in any one financial year will be advised to the Shareholder who will be given a reasonable period to respond to the Company.

The Company will not subscribe for, purchase, or otherwise acquire shares in any company or other organisation without Shareholder approval, other than in the normal course of business.

9. No Surprises Policy

The Company acknowledges its legislative responsibilities to the Shareholder and undertakes to make the Shareholder aware of any issues that are controversial or likely to be discussed in the public arena or might otherwise impact on the accountabilities and responsibilities of the Shareholder.

10. External Transactions Requiring Disclosure

10.1 For part or all of the year ended 30 June 2021 it is intended to maintain the arrangement with the WDC to provide services in relation to communications by radio-telephone.

10.2 The Company rents its offices, inventory & operations facility at 8 Cooks Street, Whanganui from the Property Group of the WDC and this is unlikely to change during the financial year ending 30 June 2021.

10.3 The Company has an agreement with the WDC for the provision of IT support and the hosting of servers and web sites.

10.4 The Company has an arrangement with the WDC for the provision of financial management services support.

10.5 Other services that may be transacted with the WDC during the year ended 30 June 2021 include maintenance and improvements to leasehold property and employee training.

10.6 The Company has financing arrangements with the Shareholder for short and long term borrowings and this is unlikely to change during the financial year ending 30 June 2021.

C P Hazledine

Chairman

[enter date]

Appendix 1

Statement of accounting policies

REPORTING ENTITY

GasNet Limited (the Company) is a company formed in accordance with and registered under the Companies Act 1993. The Company is incorporated in New Zealand and is domiciled in Whanganui, New Zealand.

BASIS OF PREPARATION

Statement of compliance

The financial statements of GasNet Limited are prepared in accordance with NZ GAAP. They comply with NZ IFRS RDR, and other applicable Financial Reporting Standards, as appropriate and the requirements of the Companies Act 1993 and the Energy Companies Act 1992.

For the purposes of complying with NZ GAAP, the Company 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 entity. The Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The Directors have a legal duty to exercise their power to amend financial statements if required to do so.

For this purpose the Company has designated itself as a for profit entity.

Measurement base

The financial statements are prepared using the historical cost basis, modified by the revaluation of certain assets which are recorded at fair value. These are detailed in the specific policies below.

Functional and presentation currency

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

Changes to Accounting Policies

GasNet Limited has adopted the following accounting standards during the 2018/19 financial year;

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

The adoption of IFRS 16 – Leases will be implemented in the 2019/20 financial year.

SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. GasNet Limited 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.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Income Tax

Income tax expense comprises both current and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect to prior years.

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 profit.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity 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 profits 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 profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

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

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

Debtors and other receivables

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

A provision for impairment of a receivable is established when there is objective evidence that the Company 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 an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial Instruments

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

Financial Assets

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

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

The Company has loans and receivables assets.

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

Financial Liabilities

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

Impairment of Financial Assets

At each Statement of Financial Position date the Company 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 Company 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.

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 Cost method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the statement of comprehensive income in the period of the write-down.

Capital contributions

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

Impairment of assets

At each balance date GasNet Limited 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 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 are carried at depreciated historical cost.

GasNet Limited 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.

GasNet Limited accounts for revaluation of infrastructural assets on a discounted cash flow basis that is pro-rata'd to the asset classes.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income. Any subsequent increase on revaluation that off-sets 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 credited to the revaluation reserve for that class of asset.

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 GasNet Limited and the cost of the item can be measured reliably.

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 all property, plant and equipment. Depreciation is calculated on a straight-line basis to allocate the cost or value of the asset (less any residual value) over its useful life.

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
Leasehold Improvements	2-20% SL
Vehicles	5-20% SL
Office Equipment	10-33% SL
Computer Hardware	20-33% SL
Furniture and Fittings	20% SL
Plant and Equipment	5-20% SL

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

Intangible assets

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 GasNet Limited, 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 as an expense 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 amortization 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 recognized 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 cash flows 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 recognized against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the 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 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 recognized 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 GasNet Limited has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Employee entitlements

Short-term employee entitlements

Employee benefits that GasNet Limited 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.

GasNet Limited 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 GasNet Limited anticipates it will be used by staff to cover those future absences.

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

Equity

Equity is the Shareholders interest in GasNet Limited 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 equity 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 Balance Sheet.

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

GasNet Limited makes 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:

Property, plant and equipment useful lives and residual values

At each balance date GasNet Limited 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 GasNet Limited to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by GasNet Limited, 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 recognized in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position. GasNet Limited minimises the risk of this estimation uncertainty by:

- an annual review of the value of the infrastructure assets
- physical inspection of assets
- asset replacement programmes
- review of second hand market prices for similar assets
- analysis of prior assets sales; and
- completing a revaluation of the infrastructure assets at least every fifth year

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

NEW ZEALAND INTERNATIONAL COMMERCIAL PILOT ACADEMY LIMITED

STATEMENT OF INTENT FOR YEAR COMMENCING 1 JULY 2020

This statement is submitted by the Directors of New Zealand International Commercial Pilot Academy Limited in accordance with section 64 of the Local Government Act 2002. It sets the overall intentions and objectives of the Company for the three financial years beginning on 1 July 2020.

1 Definitions

"Company" means New Zealand International Commercial Pilot Academy Limited
"Consolidated shareholders' funds" means both share capital and reserves as recorded in the Companies Statement of Financial Position.
"Total assets" means the Companies current and non-current assets as recorded in the Statement of Financial Position.
"the Board" means the Board of Directors of New Zealand International Commercial Pilot Academy Limited
"WDCHL" means Whanganui District Council Holdings Limited and the shareholder
"WDC" means Whanganui District Council

2 Objectives

2.1 The Company's primary objectives are to:

2.1.1 Provide high quality, professional, safety focused, flight training commensurate with performance targets. To achieve CAA Part 100 Safety Management certification by March 2021.

2.1.2 Improve the long-term value and financial performance of the Company.

2.1.3 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.

3 Governance

3.1 The Board governs the activities of the Company in accordance with the requirements of the Whanganui District Council Holdings Limited.

4 Nature and scope of activities

4.1 The Company's business will primarily be to provide flight instruction to both national and international students and to undertake such other matters as shall be determined by the Board, in conjunction with WDCHL.

5 Consolidated shareholders funds

5.1 The target ratio of consolidated shareholders' funds to debt for the period covered by this SOI shall be less than 50%. This is a requirement with TEC and will be calculated using the method setout by TEC. This target ratio does not take into account unusual or one-off type transactions that impact this ratio. The Partners will review the appropriateness of this target ratio annually.

6. Accounting policies

6.1 The Statement of accounting policies applicable to the current financial year is attached in Appendix 1.

7 Performance targets

7.1 The Company's intended performance targets for the period are:

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

	2020-2021	2021-2021	2021/2022
Net tangible assets (i.e. shareholders' equity /funds less intangible assets; e.g. goodwill)	Net tangible assets should be larger than 2% of total revenue and larger than 60% of total tangible assets (less prepaid fees	Net tangible assets should be larger than 2% of total revenue and larger than 60% of total tangible assets (less prepaid fees	Net tangible assets should be larger than 2% of total revenue and larger than 60% of total tangible assets (less prepaid fees
Liquid Assets (cash plus bank deposits plus readily liquefiable investments less bank overdrafts divided by annual cash outflow from operations)	8% to 12%	8% to 12%	8% to 12%
Working capital ratio (current assets divided by current liabilities)	100%+	100%+	100%+
Profitability (net surplus after tax to total income)	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.	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.	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.
Net cash flow from operations (cash inflow from operations divided by cash outflow from operations)	111% plus	111% plus	111% plus
Debt divided by debt plus net tangible assets	Total borrowings less than 50% of net tangible assets; i.e. a debt ratio of less than 33%.	Total borrowings less than 50% of net tangible assets; i.e. a debt ratio of less than 33%.	Total borrowings less than 50% of net tangible assets; i.e. a debt ratio of less than 33%.

- 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 are targets for these are:

	2020-2021	2021-2022	2022-2023
CPL flight test pass rate %	85%	85%	85%
CPL theory test pass rate %	75%	75%	75%
Domestic Students in study or employed %	70%	70%	70%
Overseas Students in study or employed %	60%	60%	60%

- To maintain CAA accreditation part 135 General Aviation Air Operator Certificate and part 141 Aviation Training Organization Certificate.
- To maintain NZQA approval to deliver the following qualifications:
  - New Zealand Diploma in Aviation (Aeroplane)(General Aviation)(level 5)
  - New Zealand Diploma in Aviation (Aeroplane)(Flight Instruction)(level 6)
  - New Zealand Diploma in Aviation (Aeroplane)(Airline Preparation)(level 6)
  - Single or Multi Engine Instrument Rating
  - Private Pilot License (Aeroplane)
  - Multi Engine Type Rating.
- To make sure that NZICPA maintains its registration on NZQA list of Code approved education providers for the Pastoral Care of international students.
- Financial Performance is reliant on student numbers and flying hours therefore our targets are based on flying hours and the efficiency of these hours:

	2020-2021	2021-2022	2022-2023
Student Numbers – full-time	160	200	200
Flying hours	7,700 hours	9,700	11,700
Margin per Flying Hour	$40 per hour	$40 per hour	$40 per hour
Holdings aircraft utilization percentage	65%	65%	65%

8 Distributions to shareholders

8.1 The intention is for profit to be retained in the company to fund further asset purchases and make payments against the company's liabilities.

8.2 The Board will comply with the procedures and requirements as they relate to dividends pursuant to the Companies Act 1993.

8.3 Recommendations to WDCHL will be based on:

8.2.1 The retention of an appropriate level of earnings for reinvestment in the business and capitalisation needs;

8.2.2 Maintenance of the desired ratio of the shareholders funds to total assets.

8.4 The total amount of the dividend paid out is recommended to be the maximum available taking into account the Company's working capital needs and loan repayments.

9 Information to be provided to shareholders

9.1 To enable WDCHL to make an informed assessment of the operation of the Company and its investment in the Company, any information that would normally be supplied to a controlling private shareholder will be made available. In addition, the Company will meet all the requirements for information disclosure in the relevant legislation.

9.2 The Company will produce monthly management reports.

9.3 A half yearly report in accordance with Section 66 (Half-yearly report) and Section 71 (Protection from disclosure of sensitive information) of the Local Government Act 2002. The report will contain the following financial information:
(a) a statement of financial position as at the end of the period;
(b) a statement of comprehensive income for the period.

9.4 By 30 September each year the Board will deliver to WDCHL; an audited Annual Report prepared in accordance with generally accepted accounting practice and the Local Government Act 2002.

10 Procedure for acquisition or sale of shares and property

10.1 Before the Company purchases or acquires shares in any other company or acquires any interest in any business or property whatsoever the Directors shall give at least 21 days notice to WDCHL of such proposals prior to the Directors deciding whether or not to proceed.

10.2 The Company shall not proceed to purchase without an ordinary shareholders resolution first being completed by WDCHL.

11 Compensation

11.1 Other than remuneration for services provided to WDC and WDCHL there are no activities for which the Board will be seeking compensation from any local authority.

12 Commercial value

12.1 The Board estimates the commercial value of the Company is $350,000 the investment is made up by way of subscribed share capital.

12.2 The Directors, upon request from WDCHL, will provide within their Annual Report an assessment of the then current commercial value of the shareholding.

13 External transactions requiring disclosure

13.1 The Company has financing arrangements with the shareholder and this is unlikely to change during the financial year ending 30 June 2021.

14 Other matters

14.1 The Company operates in accordance with its Constitution at all times.

APPENDIX 1

Statement of accounting policies

REPORTING ENTITY

New Zealand International Commercial Pilot Academy Ltd (NZICPAL) is a company formed in accordance with and registered under the Companies Act 1993. NZICPL is controlled by Wanganui District Council (the Council) and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's indirect right to appoint the Board of Directors. NZICPAL is domiciled in New Zealand.

The primary objective of NZICPAL is to Provide high quality flight training commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to aviation operations in line with the size of the Company.

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

BASIS OF PREPARATION

Statement of compliance
The financial statements of NZICPAL 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 NZICPL 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 NZICPAL has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

Revenue is derived from flight school operations. Such revenue is recognised when earned and is reported in the financial period to which it relates.

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

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

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

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

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

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

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

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

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

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

Leases

Operating leases
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

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

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

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

Impairment of a receivable is established when there is objective evidence that NZICPAL 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 surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial assets
Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which NZICPAL 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 NZICPAL has transferred substantially all the risks and rewards of ownership.

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

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

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

After initial recognition, financial assets are measured at their fair values with gains or losses on remeasurement are recognised in the surplus or deficit.

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

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

Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that NZICPAL has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

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

Fair value through other comprehensive income
Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date or if the debt instrument is not expected to be realised within 12 months of balance date. NZICPAL's financial assets at fair value through other comprehensive income comprise investments in quoted and unquoted shares. NZICPAL includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

NZICPAL's investments in its subsidiary is not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Fair value
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. NZICPAL uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted expected cash flows, are used to determine fair value for the remaining financial instruments.

Impairment of financial assets
Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held-to-maturity investments
Impairment is established when there is objective evidence that NZICPAL will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will

enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, impairment losses are recognised directly against the instruments carrying amount.

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

Financial assets at fair value through other comprehensive income
For equity investment, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If such evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Inventories
Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Capital contributions
Capital contributions received from customers are netted from the cost of the asset.

Impairment of assets
At each balance date NZICPAL assesses whether there is any objective evidence that any asset has been impaired. Any impairment losses are recognised in the surplus or deficit.

Property, plant and equipment
Property, plant and equipment consists of:

Operational assets – these include motor vehicles, plant and equipment, computer hardware, leasehold improvements.

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

NZICPAL 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 assets are revalued.

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

Additions

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

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

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

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

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

Asset type	**Depreciation rate**
Vehicles, Plant, Office Equipment and Furniture and Fittings	4-33 % SL
Computer Hardware	20-33% SL
Leasehold Improvements	2-20% SL

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

Intangible assets

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 NZICPAL, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

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

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

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

Computer software	3 years	33%

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.

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 surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

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

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus or deficit.

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

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

Borrowings are classified as current liabilities unless NZICPAL 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 NZICPAL 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.

NZICPAL 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 NZICPAL anticipates it will be used by staff to cover those future absences.

NZICPAL 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
Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Equity
Equity is the community's interest in NZICPAL 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.